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July 1982

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The Retailer's Magazine of Electronics/Appliance Profit Improvement

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MART

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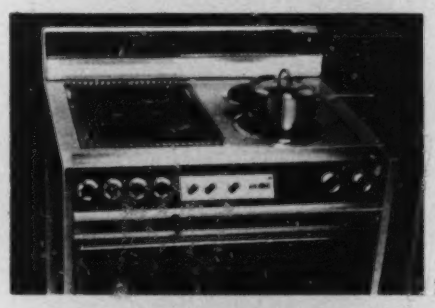

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CONSUMER ELECTRONICS

MART
JULY 1982

Manufacturers boost promos for autosound

Look for more manufacturer-sponsored sales contests and promotions aimed at dealer salespeople as the car-stereo market matures and competition for market share quickens.

Car audio and blank audio tape were two areas of expansion many audio-hardware producers entered as sales in the home-audio category fell off. Now, with car-fi sales reaching a recession-induced peak, the category that once seemed so lucrative is suffering from its own sales setbacks. To remain factors or maintain/regain market share, most suppliers are launching aggressive promotions and national sales tours designed to stimulate enthusiasm at the floor-sales-staff level.

In an overview of the autosound market, Larry Kraines, president of Kraco Enterprises, noted that, despite a slow start earlier in the year, total 1982 sales growth should reach at least 15 percent over 1981.

"Industry sales were somewhat flat in the first quarter," he said, "due partially, I suspect, to the unusually severe winter weather that afflicted the country. However, the fact that people are keeping their cars longer these days is having a tremendous impact on our business. People are showing a greater desire to step up in car stereo. They are looking for such features as Dolby, auto-reverse, and high power, and moving up

[Continued on page 58]

Games, cartridges hottest items at CES

What's the best way to single out the hottest category at a Consumer Electronics Show? Number of major entrants into the field? Volume of traffic clogging the exhibit areas? Amount of talk by retailers about the products in the aisles of McCormick Place?

By any of these criteria, video games and game software emerged as the stars of last month's summer CES. Several new hardware systems were unveiled at the show, while a number of Hollywood film studios announced their entry into the game-software field, and several key firms already in the business showed expansions of their existing lines into other game formats.

And, judging by the amount of show-goers cramming into the game booths—one company, Coleco, resorted to security guards to regulate traffic through its exhibit—game hardware and software were what retailers at the show had come to see. Although predictions of a software shakeout abounded as the number of cartridge entries mushroomed, most indications were that for at least the next six months video games will be serious business.

How big is the total video-game market?

[Continued on page 55]

As usual, video games were a big draw at CES.

Programs, not power, spotlighted by audio suppliers at the CES

With the economy dampening sales, audio firms are offering more to help their dealers move goods

Are the audio power wars over? Could be, for the moment.

Although retailers may still be talking about wow and flutter, sonic booms, and inaudible "improved specifications," executives at the manufacturing end seem to have changed their tune. From cartridges and headphones to deluxe component systems and digital audio-disc players, the suppliers MART visited at last month's Consumer Electronics Show were emphasizing their products' perceptible consumer benefits — benefits providing audible differences, vs. inaudible spec-sheet calculations.

In addition, companies that once targeted a single category in audio as their market niche, such as headphones, portables, components, or accessories, are diversifying their lines in an effort to provide selective dealers with additional branded products from which to choose.

Empire Scientific, once primarily a phono-cartridge maker, has added equalizers and headphones to its line-up, amid intimations of plans to add telecommunications products in the future.

Andrew Segal, Empire's vice president of sales, told MART he sees his company heading into areas in which Empire can offer consumers demonstrable benefits: "Too much of a cartridge's innovations are microscopic or invisible to a customer, so we're using gold in our cartridges — something the customer can see. That's why we're moving rapidly into products such as headphones and equalizers that have technical benefits that are easily understood by the consumer. People buy

[Continued on page 52]

AUDIO COMPACT & COMPONENT SYSTEMS

Total Factory Sales

	Units	Dollars (millions)
1979	3,811,000	614,000,000
1980	3,241,000	703,000,000
1981	2,939,000	720,000,000
1982 (est)	3,200,000	800,000,000 (est)

Source: EIA/CEG

Cordless phones seen growing to near million mark this year

Some of the hottest numbers at the Consumer Electronics Show last month were those on cordless telephones. Dealers at the show saw a wide variety of cordless phones on view, as manufacturers introduced new styles and features in an attempt to capture market share in this explosive new industry.

Although many of the phone manufacturers MART contacted at the show would not speculate as to what percentage of the market they would actually obtain in the next six months, many indicated that overall telephone sales would increase from 35 to 100 percent over the next year, with cordless phone sales being the major thrust of that growth.

The total cordless market is projected at anywhere between 600,000 and 1.2 million units this year.

Both manufacturers and retailers seem excited about cordless phones. In fact, one phone supplier's stock went up 50 percent during the show.

"I think excitement over Phone-Mate's RoamPhones at the show was probably the cause of the stock increase," speculated Robert Petkun, vice president, marketing and sales.

"Clearly, cordless phones are winners," said Petkun, who added that he was almost sold out of the RoamPhone at the show.

Phone-Mate's "End of the Dumb Phone" ad and promotional campaign is the marketing strategy Petkun is trying to impress upon retailers.

"The key is for retailers to get behind the 'End of the Dumb Phone' campaign and establish themselves as the smart phone store," stressed Petkun. "The 'End of the Dumb Phone. . .Start of the Smart Phone' is emotion-provoking advertising." About $4 million will be spent on television commercials, national magazine ads, and a 100-percent co-op program for retailers, he added.

Already test-marketed in San Francisco, the campaign is rated a success.

Phone-mate introduced its latest

[Continued on page 62]

Portable-VCR sales gain on home units

Some video-cassette-recorder manufacturers are questioning the 1.9-million-unit VCR sales projected for 1982 by the Consumer Electronics Group of the Electronic Industries Assn.

Panasonic President Ray Gates, chairman of the group and of the EIA/CEG video division, disclosed the 1.9-million figure at the video conference during last month's Consumer Electronics Show. The projection represented a 40-percent increase over the 1,361,000 units sold last year.

If home VCRs show some signs of

[Continued on page 57]

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Digitals News

Computers follow consumers home

'We have the potential this year to sell more units than were sold in the history of the market:' Ross

With sales of 2 million units predicted for this year — 650,000 of them for consumer usage — the personal computer has found a home in the consumer market, according to officials of computer firms exhibiting at last month's Consumer Electronics Show.

A number of computer firms showed new products at the show, and those already in the market broadened their libraries of computer software. And, retailers at the CES indicated, as video games become more sophisticated and the gray area at the high end of the game market and the low end of the computer market broadens, a number of stores are looking at low-end computers as a natural adjunct to their video-game or advanced-consumer-electronics businesses.

Market estimates, given at the CES computer panel, show hand-held computers holding about 25 percent of this year's personal-computer volume, with portable models taking about another 5 percent.

Drawing considerable retail traffic during the show was Timex, which starts national deliveries late this month on its under-$100 TS 1000 (MART, June, page 16.) Dan Ross, vice president, computer products, told MART the unit will be on allocation at the beginning.

"Having it on allocation allows us to bring some needed order and integrity into the computer business," he explained. "We have the potential this year to sell more units than were sold in the history of the market, but we expect to have more demand than supply. So we're insisting that dealers carrying the unit provide sales training for their people and make a commitment to the product and its peripherals."

Timex will begin consumer advertising for the computer August 30, using both print ads and TV commercials.

Initially Timex will offer 23 software programs, from three suppliers; by the end of the year the software library will more than double, Ross said. "Games will be about one-third of the initial software offering, but they won't be our major thrust," he added. "We feel this is a very serious product."

At first the software for the Timex computer will be sold only through stores carrying the hardware, Ross added, "but I see no reason why say, beyond 1983, it couldn't be sold through software-only outlets."

While not the major impetus for the personal-computer market, games do represent a significant factor, according to executives of two other personal computer firms.

"Video games have been one of the driving factors in the development of the home computer," declared Bill Turner, marketing manager for Texas Instruments' consumer products group. "Because of the popularity of these games, people now understand the concept of interaction and are buying cartridges for other uses. I see a great trade-up happening between games and computers."

However, Turner added, "from 1983 to 1985 communications will be the major driving pull-through factor."

Alan Fink, president of Commodore's consumer products division, commented, "Games have brought the mass of people closer to the computer, by reducing the fear of handling electronic devices."

At the CES, Commodore introduced its new MAX three-in-one home computer/game/music synthesizer, to be available later this year at $180. The MAX uses new sound and graphics chips said by the company to "bring arcade quality into the home." It will be sold with a variety of arcade games, educational and music programs, and peripherals, and can use BASIC computer language.

"We want to be the number-one home-computer company in the United States by December," Fink declared. He said Commodore plans an aggressive ad compaign for its line, featuring actor William Shatner as spokesperson.

The hand-held computers being sold by Panasonic and Quasar also got strong retail attention at the show. Quasar was telling dealers about the first in a series of software capsules for its unit, a Time/Trac capsule at $135 designed to allow people who bill by time allocation to monitor their time, and a four-color plotter at $495, used to generate drawings in color.

Computer suppliers agreed during the CES computer panel that successful retailers in this business should carry a broad array of software to maximize sales.

"The personal-computer dealer needs to carry at least 40 to 60 software packages today," TI's Turner advised. He said he feels home-management programs are most popular with consumers, along with educational programs, business-at-home functions, and data-base access.

Commodore's Fink agreed, "For the home market the biggest growth will come in programs such as CompuServe, which allow access to an infinite amount of information." He also predicted an eventual link between the personal computer and home-security system.

"Right now there's a 50/50 breakdown between hardware and software in terms of dollar sales, but there's no question the dollar volume and profit potential are more important for the average retailer on the software side," Fink said.

And Ross of Timex predicted, "Educational and home-management programs will undoubtedly be big sellers. Ease of use of the computer in the home will become a strong driving force too, as consumers realize they can do things such as banking at home." ■

CATHY CICCOLELLA

Video games, computers: where do they cross?

Where is the crossover point between video games and home computers?

Hardware manufacturers feel that point is already here: Atari offers two personal computers in addition to its game, and Mattel is looking at computer-oriented programs for its Intellivision games using its keyboard and has simple home-management cartridges available already.

Game software producers are also eyeing the computer market. At Activision, for example, President Jim Levy said his firm will offer computer software eventually, although he feels the market is not strong enough yet.

'There's no real market yet for computer software, because no hardware system has sold in significant numbers yet,' he told MART. 'It's still a very small market, although it will develop.'

One company with more definite plans to offer computer software is Apollo. President Pat Roper said his firm is currently negotiating to produce computer software for 'three or four major systems.' These deals should be announced in about a month, he added, 'and once they go through we could have computer cartridges out in four to six months.'

Also considering computers — this time from the hardware side — is Coleco, which recently began supplying video-game cartridges for the Atari and Mattel systems, and has also developed its own ColecoVision game concept.

Company officials have indicated that a move into home computers could be next possibly as early as late 1982 or 1983.

MART MONEY MAKER

'When selling blank video tape, draw attention to the tape's quality — advertise for a quality image, not price.

'If you go strictly on price, you can advertise a cassette for $1.20 and the guy down the street will just turn around and advertise it for a dollar, and then what have you accomplished?'

— John Dale, Magnetic Tape Division, Fuji Photo Film

Married men in love

Who's buying personal computers?

Mostly men, according to research conducted by Texas Instruments. Bill Turner, marketing manager for TI's consumer products group, told MART the typical computer purchaser is a married man (86 percent of purchasers are male, 75 percent married), 31 to 40 years old, with a college degree and a household income of $30,000 or more. The average computer family ranges from three to four members.

'People are buying computers these days as an investment — the product has a five- to 10-year life cycle,' Turner said. 'And a lot of people are buying computers as the next step up from a "super" video game. They're "video junkies" — they need a new and better video fix, and the computer provides it.'

PERSONAL COMPUTERS

Total Estimated Sales to Dealers in units	
1979	150,000
1980	325,000
1981	500,000
1982	2,000,000

PERSONAL COMPUTERS (By Product Category)

1982 Total Estimated Sales to Dealers in units	
Professional—Personal ($1,000—$5,000 retail)	750,000
Consumer—Personal (Under $1,000 retail)	650,000
Portables	100,000
Hand Held	500,000
Total	2,000,000

Source: EIA/CEG

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Audio News

Programs, not power, spotlighted by audio firms

[Continued from page 49]
audio for pleasure."

Akai America is cooling its emphasis on "more power for the buck" as well. Overall, the audio business is tough, noted Michael Wiggins, audio national sales manager, so making money is more a matter of "digging in and merchandising.

"It's important to have product, styling, and innovative technology, but there's more to the business," Wiggins said. "We're traveling a lot more in the field, and creating more imaginative merchandising programs than in the past. Akai is taking a look at its distribution patterns, trying to pinpoint where we can increase our market share. We're making an attempt to bring on more medium and small dealers.

"There are fewer dealers around now," he continued, "and when an industry has fewer dealers doing business, the competition for their attention becomes more vicious. As a result, we have had to sharpen our edge and keep close tabs on all aspects of our business. We're using analytical tools more than we ever did."

Wiggins reported that Akai retailers have been instituting similar programs themselves: "They are examining their businesses, 'tightening up ship,' and watching their inventories closely. These dealers want higher turns and are looking for products they can sell quickly."

Pioneer Electronics (U.S.A.), which has been undergoing extensive reorganization itself, plans to institute many of the same economic programs currently urged on retailers. More selective distribution and tighter product lines appear to be in the company's future.

"There has been a lot of discussion of Pioneer's inventory position," acknowledged Bill Mattheis, senior marketing vice president, "but it's nowhere near the problem that's been reported."

Still, "the company is reevaluating its distribution position. We're accessing our needs, and we want retailers to do that too."

This month, for example, Pioneer will discontinue sales to catalog showrooms in a move to put more emphasis on electronic-specialty stores.

"The dealers I meet are watching their inventories as well," stated U.S. JVC Corp.'s vice president of hi-fi and home entertainment, Harry Elias. "Also, they are selective of the vendors they do business with. I find retailers are also taking more advantage of manufacturer-supplied ad programs.

"My suggestion to dealers has also been to hold up on expansion," he added. "I think retailers should sit tight and not expand their operations for at least one year, in light of the economy. Over-expansion causes cash-flow problems and personnel problems. A retailer can't just move from a small operation to a chain — he or she runs into pilferage problems, and loses count of inventory. If they are not strongly organized, I'd encourage them not to expand."

In the current market, what's selling?

"AM/FM/cassette portables are still strong," said Don LaDieu, Sony sales manager, "and microcassettes could be beginning to take off from purely business applications to entertainment with microcassette 'Walkmans.' "

LaDieu does not believe a lack of pre-

Cassette recorders are a healthy category, manufacturers agree.

recorded micro software will hamper the market. "What the consumer is buying," he said, "is not pre-recorded music, but blank tape. Most people are interested in recording their own music."

Mura Corp. plans to market a smaller-than-pocketsize personal stereo system (Executive High Stepper; $60) before the next CES. Mort David, chairman of the board, told MART the market for personal stereo continues to "move way up. I had expected it to flatten off this summer, but it keeps increasing.

"This will never be a CB category," he said, despite the growing number of market entries. "It will go through a contraction phase," he allowed, "but then it will be like a calculator — a legitimate product. And like calculators, there will always be newer designs, and smaller sizes and prices."

Bill Smith, manager, marketing, of General Electric's audio electronics products department, told MART, "Personal stereos are taking some sales away from traditional portable radios, but they're also providing some 'plus' business. In tape, there's also a transition going on: 'transportable radio/tape units with separate speakers are doing very well, taking some sales away from the high-end boom box."

As for the year as a whole, Smith commented, "This year started out in a trough and has been working its way out. It looks like projections for a good second half might come true."

Sol Boucai, president of H.H. Scott., predicted, "The receiver market is about equal to last year. Amplifiers and tuner combinations, sold separately, will decline 10 to 15 percent; however, they will pick up some of those lost sales when sold in racks. Cassette decks will be up 10 to 15 percent as well.

"In fact," he added, "the only soft spot appears to be in the good, 'name' speaker-system sale, but with stereo TV, that will probably come back."

Meanwhile, the market for compact stereo systems continues to shift. As the population ages, the number of 15-year-olds (compacts' primary audience) is dwindling. Hard-pressed to pick up additional sales, manufacturers now concentrate on boosting market share. As these suppliers woo dealer orders away from their competition, retailers should benefit from sharply aggressive manufacturer pricing and promotions.

According to Jack Weiss, national sales manager for Panasonic's home entertainment systems, his company is one that indeed plans to peel sales from the competition.

Panasonic is also expanding into inexpensive "rack-type" systems, adding product that, like a compact, features a receiver/cassette combination, while offering the turntable as a separate component. A separate turntable, he told MART, supplies consumers with the mystique and ego-boost associated with buying separates, but not the confusion of individual component options.

Moving up the price spectrum, Barry Goldman, Teac's vice president of sales and marketing, reported that he feels "fortunate that tape recorders have held up better than expected in the recession." The company has also added more accessories and tape products, because, Goldman said, "they're very good business, very profitable.

"That doesn't mean we're doing gangbusters," he added, "but we're probably near the bottom of the slump. It will probably get better, not worse."

According to Michael Wertman, Gusdorf's senior vice president of marketing and sales, and Peter Reszko, regional sales manager for Recoton, furniture and accessories are two areas relatively unaffected by price-cutting.

"Although we can't escape the realities of the economy, we expect the fall to be very strong for audio and video furniture," Gusdorf's Wertman said. "Unlike audio-hardware sales, our sales don't depend on new purchases to grow. Millions of units of audio and video equipment already in people's homes require furniture. We also offer good margins, which are harder to squeeze than hardware profits, because our market is not as sensitive."

"Most of the competition in the market is in areas other than accessories as well," Reszko of Recoton explained, "so that while the major manufacturers are battling it out, we have our niche. No price squeeze exists in accessories: we sell over 100 new items that retail from under $1 to over $300. Yet we are not a price-sensitive category, because there's no sense in cutting pennies from plugs or connecting wire."

What about digital audio-disc players? The first systems are expected to be on the market in 1983, and a number of manufacturers displayed or introduced various prototypes at the CES. Still, many audio suppliers plan to play their digital cards close to the chest.

After the painful market introduction of the video disc player, said Wiggins of Akai, "it remains to be seen if digital audio is a viable category. A lot of companies will be coming out with the equipment next year. If they're successful, we'll get on the bandwagon. However, in light of its pricing and the current economy, I think digital audio may be hard to sell. It's a very expensive experiment that only the big companies can afford at this point."

Elias of JVC, one of the "bigger companies" currently planning for digital, expects the new category will "add excitement to the market and speed the marriage of audio and video" by increasing the demand for a host of new add-on products. ■

Marcia Golden
Associate Editor

SEPARATE AUDIO COMPONENTS

Total Factory Sales in millions of dollars	
1979	1,178,000
1980	1,424,000
1981	1,308,000
1982 (est)	1,200,000

PORTABLE AUDIO TAPE EQUIPMENT

Total Factory Sales	Units	Dollars (millions)
1979	11,853,000	1,739,000
1980	16,985,000	1,403,000
1981	20,043,000	1,157,000
1982 (est)	22,000,000	1,110,000 (est)

RADIOS

Total Factory Sales	Units	Dollars (millions)
1979	40,029,000	1,063,000
1980	39,574,000	1,429,000
1981	44,359,000	1,619,000
1982 (est)	40,000,000	1,400,000 (est)

Source: EIA/CEG

Video Games

Video games, game software star at CES

[Continued from page 49]

During a CES panel, sales to dealers of the game consoles were estimated at 8 million units.

How does that market break down by game system? According to Imagic President Bill Grubb, whose company is now making cartridges for each of the three leading game formats, by the end of this year 8 million Atari consoles will be in use, along with between 1.5 and 2.5 million Mattel Intellivision systems and 1.6 to 2 million Odyssey games.

"We feel total game saturation now has reached 16 percent of American homes," Grubb told MART.

Imagic currently is selling five Atari-compatible cartridges, at $32 each. The firm starts deliveries in September or October on 5 games for the Intellivision format, priced at $40 each, and will deliver its first Odyssey-compatible cartridge in January.

"The total game-software business should represent between $1 and $1.5 billion at wholesale this year," Grubb commented.

Another major game-software firm, Activision, is also broadening its horizons, according to President Jim Levy. The company has 16 Atari-compatible cartridges currently available, and will add two more in September and an additional two in November.

At last month's CES, Activision sneak-previewed its first two cartridges for the Intellivision system—"Stampede" and "Pitfall." These Mattel-compatible cartridges will be available in November.

Mattel, which currently is delivering 38 standard Intellivision cartridges and will shortly have four more using the system's voice-synthesis capability, started deliveries last month on the first four titles in its "M Network" series of Atari-compatible games; another three or four are due out this month, according to Peter Pirner, executive vice president. Pirner told MART Mattel will have 11 Atari-format cartridges by year-end.

Mattel begins shipments of its voice module August 1. "The voice capability will break open a whole new development in consumer interest in games," commented Dick Baumbusch, Mattel's newly named director of marketing for Intellivision. "It provides a dimension the arcades can't duplicate, because they're so noisy—this is an area in which home games will lead."

Coleco starts deliveries this month on its new ColecoVision game system, according to Michael Katz, marketing vice president. The company, which is starting to deliver Atari-compatible game cartridges as well, also displayed an adaptor for its own system that allows games in the Atari format to be played.

Starting this month, Coleco's games in the Atari format will also be distributed by Sega Distribution, a joint activity of Paramount Home Video and game firm Sega Enterprises (of which Paramount Pictures owns 85 percent).

"Retail outlets that used to only handle cassettes are now getting into video games and other video software, so the timing is right" for such a venture, said Mel Harris, Paramount Home Video president.

VIDEO GAMES (Hardware)

Total Estimated Sales to Dealers in units	
1979	400,000
1980	2,200,000
1981	4,200,000
1982	8,000,000

VIDEO GAME CARTRIDGES

Total Estimated Sales to Dealers in units	
1979	4,000,000
1980	9,000,000
1981	30,000,000
1982	55,000,000

Source: EIA/CEG

Other movie companies are also getting into the game business. Atari announced plans for a 50-50 joint venture with Luscasfilm, creator of the movie "Star Wars," to develop new games to be distributed by Atari.

The company also gave dealers the latest on its new 5200 game system: deliveries begin in September, and the console is now priced at $250, down $50 from the originally announced suggested retail. Ten game cartridges—non-compatible with the current Atari system—will be available when the console goes on sale, with four more due by Christmas.

Another new game firm with a movie-studio tie-in is Fox Video Games Inc., which will develop games for Atari system. Frank O'Connell, formerly of Mattel, is president of the new company.

The new Fox unit will have four games available next month, two priced at $30 and two at $35; four or five more will be added in January, with the company possibly moving into other game formats at that time.

And, MCA has set up a new division, MCA Video Games Inc., to develop and market game cartridges. Jim Fiedler, president of the new firm, told MART the games will use characters created by MCA's Universal Pictures operation, such as "Smokey and the Bandit" and "Bruce," the shark from "Jaws."

"We probably won't make Christmas with our first games, although I'd like to," Fiedler commented. "It will probably be mid-1983 before they're on the market."

Another programming supplier, Thorn EMA Video Programming Enterprises, was also on hand at the CES with its line of games for the Atari and Commodore systems, to be in stores this fall priced from $20 to $40.

CBS Inc. also formalized its pact with Bally Manufacturing during the show: a new company, CBS Video Games, will market at least three Bally games for the Atari system by the end of this year. Games for Mattel's Intellivision are also on the drawing board.

The CBS games will be distributed through consumer electronics outlets as well as toy stores and mass merchandisers.

Astrocade (formerly Astrovision) was at the show with 10 new games due out by October.

Astrocade also showed a new add-on computer module for its game system. The unit, called ZGRASS-100, is designed to allow users to create their own video games and run business programs; four programs will be available initially for the computer attachment, which will be available this fall at under $600.

Other new game entrants at this show included General Consumer Electronics, with its portable Vectrex game with self-contained video screen (MART, June, page 28), and Telesys, making its debut at the CES.

Telesys will initially market three cartridges for the Atari game system, with an emphasis on offbeat ideas, according to Jack Woodman, co-founder and vice president of marketing. Shipments begin in September.

Is a shakeout coming in the game-cartridge field? Some suppliers think so. Pat Roper, president of Games by Apollo, a recent entrant into the business, commented, "This business will definitely level out. It's seeing the kind of explosive growth now that brings out price competition, but in the next year or so the market should stabilize and become more profitable.

"For the short term, however," Roper said, "companies will be dropping out. Everybody and his brother will not be in this business in two or three years.

And Richard Hoag, vice president of sales for Mattel, told MART, "Game manufacturers are going to have to be very aggressive to survive in this business. So many games are available now that retailers won't be able to carry all titles; some companies with less-creative games will be sloughed off, and will start dumping. And that could hurt the business as a whole—if consumers buy standard-quality software with a high boredom level, they could get turned off from the whole category."

Added Activision President Levy, "There will only be gluts in games that don't sell. The strong companies will offer original, creative work, not just reworked arcade games. To be successful a game software company needs creative strength, solid distribution, ad and promotional support, long-term planning, and good financial support—and those are the basics on which a retailer should choose his or her suppliers."■

Cathy Ciccolella
Editor-in-chief

Odyssey to stress voice, boost distribution.

'If a video-game cartridge doesn't have voice capabilities, it could wind up passe.'

That's the view of Dave Arganbright, vice president and general manager of the Odyssey division of N.A.P. Consumer Electronics — and that's why Odyssey plans an advertising blitz this fall for its new voice-synthesis module, due out next month at $99.

The voice module includes the capability to pronounce words typed into the Odyssey system via its keyboard; the company plans to introduce eight new cartridges — five of them games, the rest educational — with voice capability through the end of this year.

Odyssey is also broadening its distribution, according to Arganbright. This fall the game console will appear in the Sears Roebuck and Montgomery Ward catalogs for the first time, and it is expected to be sold through other new retail outlets as well.

'We're not trying to shove all our products through our color-television distribution channels,' explained Myr Jones, N.A.P.C.E.'s general marketing manager. 'That's why we pulled Odyssey out as a separate division.

Cartridge availability is also broadening: Imagic is about to become the first independent game-cartridge supplier to offer games in the Odyssey format, through an unofficial relationship with N.A.P.C.E.

N.A.P.C.E. will spend more than $20 million this year to promote Odyssey. A new character, 'The Wizard of Odyssey,' will appear in the ads, which will use the theme, 'the keyboard is the key.'

In addition to a September advertising blitz for the voice module, Odyssey will also use a heavy concentration of advertising in November for its new 'K.C.'s Revenge' cartridge, a replacement for 'K.C. Munchkin,' which the firm was forced to take off the market after legal action by Atari.

Also, a promotion running now through October will offer consumers a free baseball cartridge with the purchase of an Odyssey game console.

Arganbright said he expects the total game-hardware market this year to hit about 6 million units, up about 50 percent from 1981. Sixty million game cartridges should be sold this year, he predicts, more than a 50-percent increase over last year.

BEST AVAILABLE COPY

Video News

Portable-VCR sales hurting home decks?

[Continued from page 49]

leveling off, this drop is offset by the "surge of interest in portable VCRs," according to Gates.

In a number of instances VCR producers are projecting 1982 industry sales at 2 to 2.25 milion units, while others' forecasts are down to a 1.8- to 2-million-unit year.

In the meantime, manufacturers are greeting the compact video cassette recorder offered to the industry by JVC with mixed emotions. Some producers had the new compact recorder on display even though they are not ready to make a commitment. Others are ready to join the ranks, while still others are not aligned with the JVC concept.

All agree, however, that the compact-VCR concept will eventually come into its own in the near future.

The JVC compact VCR is said to be 40-percent smaller and 50-percent lighter than previous VHS models. It offers 20 minutes of record/play time and, according to JVC executive George Meyer, "is designed for the customer who already owns a home deck."

The unit, to be available late in the fall, is expected to retail for around $700. It features lower power consumption than previous portables, and includes a direct-drive motor and a new parallel tape-loading system.

A new TC-20 compact cassette will be marketed concurrently with the new compact JVC recorder.

Harry Elias, JVC's vice president of hi-fi and home entertainment, predicted portable VCR sales will reach 32 percent of the total VCR market this year, and hit 50 percent by 1985. "This growth is due to the advances in miniaturization and the growing popularity of home movies," he commented.

Art Westburg, Sanyo's executive vice president-sales and marketing, agreed that compact VCR is "down the road," but would not comment further. As for estimated VCR sales for this year, he put the figure at between 2 to 2.25 million units. "Sales of VCR at Sanyo have been outstanding," he said.

At General Electric, where 1982 estimates for VCR sales run between 1.9 and 2 million units, Mike McDavitt, marketing manager, believes the compact video recorder "may be a good bridge between the standard VCR and the combination VCR/camera, which we think will be coming in the next few years." No decision has been made at this time as to whether GE will go compact, McDavitt added.

GE's sales of traditional portable VCRs represent about one-fourth of the firm's total video-recorder sales, McDavitt told MART, "and I can see that total reaching one-third of our business."

The high-end VCR market is slipping, however, he acknowledged: "More people are moving into portables; we're seeing the bulk of the volume increases in low-end table models and high-end portable VCRs."

As for the compact VHS recorder, he commented, "We think that as the VCR market gets more sophisticated, the products down the road will be easier to use — making the recorder smaller and lighter is one way to make it easier."

Both Panasonic and Qausar showed the JVC concept at the CES, but admitted they had no definite plans to get into the compact market. Stan Hametz, Panasonic general manager for home video, noted that "the fact we are showing it speaks for itself. It means we feel there is something in it, and we've got to keep our eyes open to it."

Roger Heuberger, marketing manager for Quasar, said the company has no delivery schedule on the compact; the earliest the firm might offer such a unit would be the fourth quarter of this year.

Jay Lancy, Toshiba America's national marketing manager, video products, said his company is looking at the compact VCR. As for VCR business projections for this year, he puts total sales at 2 million, depending on the credit situation.

"While the industry may sell more units, the dollar volume on a per-item basis has eroded, both for the manufacturer and the dealer," Lancy said. He added that he has seen a lot of $499 prices this year he didn't see in 1981.

As for inventories, it was pointed out by one major supplier that there are many more brands vying for a piece of the VCR pie. This source estimated there are currently about 25 brands in the field, against 10 to 12 last year. In explaining the dip in distributor to dealer sales recently, he noted that the comparisons are against higher 1981 figures than earlier in the year.

One manufacturer which had a definite negative response to the compact video recorder was Hitachi Sales Corp. of America.

"We looked at the unit, but we elected not to do anything with it," said Robert O'Neil, executive vice president. "From what I gather there isn't much of a spread between it and the price of a standard VCR. It's something like $150 away from the standard VCR. I don't think its weight is significant; in recording time, it's 20 minutes against eight hours.

"We had a compact unit on display, but we are not getting much of a response from the dealer," O'Neil said.

At Magnavox, Bob Eastwood, national marketing manager, VCR and video disc, said the company has been looking at the compact unit, with a possibility of getting into that market this fall.

"If we don't, well, that's another question," he added. In the meantime, Eastwood sees a 2- to 2.1-million VCR sales year for the industry, and he believes sales are "right on track for this projection." Magnavox VCR sales have been "substantially better than a year ago because of good promotions."

Jack Sauter, RCA group vice president, looks to a 2-million-unit VCR sales year. He feels portables will account for about 30 percent of total VCR sales.

"We have mixed emotions about the compact video by JVC," Sauter told MART. "While we are in the preliminary stages of preparing that kind of product for introduction, we feel, nevertheless, a certain doubt about its viability because of its limited features.

"We still think the one-piece ¼-inch VCR/camera will be here next year," Sauter told MART, "Or if not next year, it won't be far behind. I don't see any reason for both of them."

Other video manufacturers put the introduction into the U.S. market of the camera/recorder combo further out.

"My personal instinct is that we will not see the 8mm combination unit on the market in 1983," commented Panasonic President Ray Gates. "The companies involved still haven't finalized the details of the technical specifications — they're only agreed to agree, which in Japan means there's still time yet. I personally think we'll see that unit on sale in 1984 — nobody should worry about it in 1983."

Sony Sales Vice President Ed Adis agreed, "I don't expect to see that type of unit on sale here any sooner than two or possibly three years from now," while Art Westburg of Sanyo put the target date at "1984 or early 1985."

Westburg feels the portable segment of the VCR business will not only grow bigger, but will eventually start to eat into the high end of the home-VCR market. "There will always be a place for the low-end and middle-price table model," however, he commented: "That business will not be impacted by portables."

"But certainly the high-end VCRs will be affected," Westburg added. "The new technology available in portables and their flexibility means these units will be a growing segment of the VCR market." ■ ART WEINBERG

Four new suppliers show off video recorders at CES

Four new companies jumped on the video-cassette-recorder bandwagon at last month's Consumer Electronics Show, two of them photographic-camera suppliers.

Canon made its expected move into the field (MART, June, page 14) with an eight-hour portable VHS recorder and a programmable tuner/timer with 16-function wireless remote control, plus a 5½-lb. color video camera with auto focus and power zoom. Deliveries begin this month.

Another camera firm, Pentax, came to the CES with a four-head portable VHS recorder at $1,269, a $530 tuner/timer programmable for eight programs over three weeks, and a 4.2-lb. color camera with electronic viewfinder at $1,069.

Richard Howell, marketing service manager, told MART the video units will be available late this month or early in August. 'We are marketing these products so our existing dealer base—primarily but not exclusively photo-specialty stores—can assimilate video into their businesses,' he commented.

Two more audio firms also entered the video arena. Marantz showed a Beta VCR with stereo sound at the CES; the recorder is due on the market early in October. The unit, said to be the first of a VCR line from Marantz, includes Dolby C noise reduction and will retail for $1,295. Two more VCR models are planned during the first half of next year.

Also entering the video field was Jensen Sound Labs, which showed a stereo VHS recorder at $1,595 as part of a new line of video components due out in October.

Supreme Court will hear video-recording case

The Supreme Court has decided to take on the home-video-recording issue.

The original VCR case, in which Universal City Studios and Walt Disney Productions sued Sony Corp. of America for copyright infringement, will be argued in front of the Supreme Court next winter. A decision will probably not come before 1983.

Sony won the original case, then lost when the decision was reversed by an appeals court, which ruled that home video recording is not covered under an exception to the Federal copyright law.

Since then, VCR manufacturers, the Electronic Industries Assn., and others have been working to change the current copyright law.

VIDEO CASSETTE RECORDERS

Total Sales to Dealers in units	
1979	475,000
1980	805,000
1981	1,361,000
1982 (est)	2,000,000

COLOR VIDEO CAMERAS

Total Sales to Dealers in units	
1979	61,000
1980	115,000
1981	190,000
1982 (est)	350,000

Source: EIA/CEG

Consumer Electronics

Industry sales expected to double in five years

The age of video continues to bring an expanded share of consumers' disposable income

A most optimistic picture was projected at an industry-outlook conference held during the Summer Consumer Electronics Show last month. Industry unit and dollar sales of consumer electronics are expected to double over the next five years, as these products continue to get an expanded share of the consumer's disposable income.

Looking back over the past seven years, William Boss, a vice president of RCA Consumer Electronics and of the Electronics Industries Assn.'s Consumer Electronics Group, told attendees that total U.S. factory sales went from $5,224 million in 1975 to $11,404 million in 1981.

And with the new age of video, Boss continued, retail sales of video products are estimated to reach $15.4 billion by 1985, a 60-percent increase from $9.2 billion in 1981. By 1990 sales are expected to nearly triple to $26.3 billion.

Tracing the success of the consumer electronics industry, Boss tallied five "electronic ages," starting with the birth of radio in 1922. Radio/phonographs began the second electronic age in the 1940s, expanding the entertainment field just one more step.

The development of monochrome television in the late 1940s began the third stage, when TV became the single primary source of information, education, and entertainment. Then, color television added an even newer dimension to entertainment.

Audio initiated the fourth electronic age in the 1970s, and sales of audio equipment soared. In fact, Boss noted, 75 percent of the CES exhibit space was devoted to audio compacts and consoles during that time.

Today the industry is experiencing the fifth electronic stage — the age of video — in which the consumer electronics industry has thus far enjoyed prosperity in dollar sales and unit volume, he said.

The consumer electronics industry overall has avoided the downturn in the economy with record sales, Boss said.

Reviewing last year's figures for the various consumer electronics categories, Boss noted that video cassette recorders have been the most successful, with sales to dealers tripling in a two-year period. He projected sales will near 2 million by the end of 1982. In 1980, VCR unit sales were only 804,663 in comparison. And, Boss added, portable video-cassette-recorder sales will comprise at least 50 percent of total VCR sales by 1984-85.

Color television receivers have also enjoyed success, with sales to dealers estimated to reach 11,400,000 units by the end of 1982, up from 11,157,000 sets sold in 1981. About 40 million color-TV sets in households across the country today are candidates for replacement, Boss reported.

Video disc players are also expected to take off, Boss noted, with unit sales estimated to be in the 250,000-to-350,000 range by the end of 1982, up from 157,000 units in 1981. And, sales of video discs are expected to jump from 3 million units in 1981 to between 5 and 7.5 million by the end of 1982.

Audio compact and component systems are expected to rise also. Units should increase by 302,000 units — from 2.94 million in 1981 to 3.2 million by the end of 1982. In dollar sales, audio compact and component systems are expected to reach $800 million by the end of 1982, up from $720 million in 1981.

"The sands are shifting constantly, and every category will have its day in the sun with the new levels of consumer acceptance," concluded Boss. ■

PEGGY ODENBACH

GE TV bets on do-it-yourself athletic analysis

Will today's fitness-conscious consumers buy a portable video recorder and camera just to brush up on their athletic techniques?

They might, believes General Electric's television division. That's why the company has launched a nationwide GE Videosports program to promote the home use of VCRs and video cameras for do-it-yourself video-tape analysis of athletic skills. GE is sponsoring a series of video-analysis clinics and demonstrations at five major road races this year.

At each race, GE sets up a free video-analysis station to tape runners as they run on an electric treadmill, then plays the tape back so the runners can get a look at their style and get tips from running experts. GE is also offering local retailers materials to tie in with each race program.

'We believe this program has the capability to create store traffic, increase actual sales, and meaningfully expand the marketplace,' commented Mike McDavitt, GE TV's general manager of marketing. 'What we are doing is simply showing people what home video can do for them.'

And since many runners are upscale consumers who make up the target audience for VCR sales, he added, hopefully the program will spur them to buy VCRs and cameras to continue their analysis at home.

Gold Star manufactures first made-in-U.S. TVs

Gold Star starts shipping its first American-made color television sets next month, following this month's opening of the firm's production facility in Huntsville, AL.

The first U.S.-produced set is a 19-inch color model introduced at the Consumer Electronics Show. Gold Star will manufacture about 10,000 sets each month once the plant is in mass production.

At last month's CES, Gold Star showed its largest-ever consumer electronics line, including cable-ready 19- and 13-inch remote-control color models, three new cassette/radios, and new stereo components. ■

COLOR TV RECEIVERS

Total Sales to Dealers in units	
1979	9,846,000
1980	10,837,000
1981	11,157,000
1982 (est)	11,400,000

MONOCHROME TV RECEIVERS

Total Sales to Dealers in units	
1979	6,254,000
1980	6,285,000
1981	5,541,000
1982 (est)	5,300,000

VIDEO DISC PLAYERS

Total Sales to Dealers in units	
1980 (est)	40,000
1981	157,000
1982 (est)	250,000–350,000

PROJECTION TV

Total Sales to Dealers in units	
1979	26,000
1980	57,000
1981	122,000
1982 (est)	118,000

Source: EIA/CEG

MART MONEY MAKER

'When customers say they want to postpone a car-stereo purchase until they can get AM stereo, just ask them how much they really listen to AM stations now and is it worth the wait?'

— Reese Haggott, Alpine Electronics of America

Headphones may be hazardous to health

Are your customers harder of hearing these days? Then tell them to turn down the volume on their portable/personal stereo systems.

Recently a Chicago newspaper warned its readers that wearing headphones for an extended period of time could lead to hearing impairment when the music is turned on loud — a simple case of too many decibels for the ear drums.

The problem is nothing new. Remember the warnings against attending too many loud rock concerts? However, because of the recent rash of publicity, at least one headphone maker is now planning to tackle that issue, possibly in its next generation of headphones.

According to Michael Koss, product manager of Koss Corp., the problem with headphones is something headphone makers have known about for years, but it has never been an issue before. However, since it has surfaced in the last six months, Koss feels it is important to address the issue now.

He told MART that at certain decibel levels some hearing loss may occur in users of both the standard earphones that fit tightly over the ears, and the newer models designed for use with personal stereos.

But again, it's nothing new, Koss added: "My Dad put a mark on our audio receiver to indicate the point beyond which we shouldn't increase the volume, when I was growing up." ■

Zenith's Wright hits TV dumping

Joseph S. Wright, in his recent farewell address to stockholders as board chairman of Zenith Radio Corp., attacked the United States government over several administrations in permitting Japanese firms to dump television sets on the domestic market.

At the same time, Wright attacked ex-government officials who have been hired as legal representatives or lobbyists by the Japanese.

"There is a dark side" to the success of Japanese manufacturers which "involves under-the-table payments, filing false invoices, and the obvious willingness to do anything to accomplish their objective," Wright charged.

He added that the real advantage Japanese manufacturers have "is a government that is willing to fight all the way to protect their home market, and also to get their companies off the hook when they are caught violating our laws." ■

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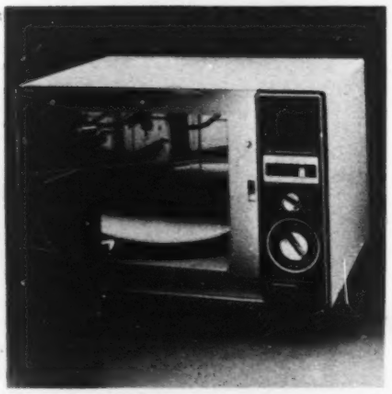
MAJOR APPLIANCES



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MAJOR APPLIANCES

Housewares Show moves to spring and fall

NHMA directors voted to change the dates of the semi-annual event 'as soon as possible'

New dates for the Housewares Show are in the making, but just when they will become effective is up for grabs.

The initial move to spring and fall shows was taken when directors of the National Housewares Manufacturers Assn. voted to change the dates of the semi-annual event from January and July to spring and fall months "as soon as possible" (MART, July, page 23).

Now it is up to the Chicago Convention and Tourism Bureau and officials of McCormick Place to act.

Duane Peterson, general manager of McCormick Place, commenting on when new dates might be announced, said, "At this point I wouldn't even hazard a guess as to how long it might take. So many things are involved, and with a major shift of this kind, many things have to fall in place, as it required major shifts of the schedules of other shows."

Jerry Sanderson, vice president of sales of the Convention Bureau, told MART, "We don't have a clear date open for spring or fall, for many years. We are now in the process of questioning various groups that have meetings scheduled for the spring and fall months."

NHMA, for example, had fixed dates for its January and July shows through 1986, with tentative dates through 1988. With the Association's new interest in the spring and fall months, new dates are expected to be set. Sanderson hopes an announcement could come by the January, 1983, show.

The January-July dates have been a bone of contention in the industry for a long time. Even when the summer shows were held in Atlantic City, rumblings against the dates were heard. The issue, then and now: July dates are too late for merchandising Christmas programs and fall catalogs; January dates do not leave enough time for setting up spring programs. The situation has been aggravated with the growing importance of catalog showrooms, which prepare their catalogs for distribution in early fall.

In announcing the unanimous decision of the NHMA board, Ronald A. Fippinger, managing director, said the decision was based on "numerous factors that have surfaced within the industry over the past several years. These include written and verbal expressions about show timing from leading retailers and distributors in all channels of distribution, as well as other industry groups and associations."

Another factor was the recent study of buyers carried out over the past several months for the NHMA board by Louis Harris and Associates, to help decide what dates would best serve the needs of the industry at this time.

Fippinger pointed out that the two-part Harris study included a random sampling of 602 housewares buyers and 262 merchandise managers who had registered at the January, 1982, show. A

[Continued on page 10]

Arkla's Flavorview gas grill allows visual inspection of the food while lid remains closed. **Write in 393.**

Gas grills to reach two million units

Quick — What's the fastest-growing cooking appliance in the appliance business? (no fair looking at the headline.)

Hint: It is growing faster than microwave ovens, convection ovens, and certainly faster than any range product.

Another hint? Market saturation has reached more than 10 percent and could eventually reach 40 percent or more in the years ahead.

Still another hint? Unit sales are expected to reach two million units a year next year.

If you need more hints, or if you haven't guessed gas grills by now you're probably one of the retailers who is missing out on a large and growing appliance sales opportunity.

Despite the economy, sales of gas grills are growing, rapidly becoming a profitable "mass-market" product category.

[Continued on page 8]

Recession has finally hit microwave market

Sales were predicted to reach 5 million units in 1982, it is now uncertain whether they will reach 1981 levels

Remember the story of Casey at the bat? Casey, star batter of the Mudville team, had a chance to win the baseball game for his team with a home run in the ninth inning. The fans and his teammates were confident Casey would come through, because he had won so many games in the past. But on this particular day, mighty Casey struck out.

Well, the microwave oven is somewhat like Casey. Until very recently, microwave ovens have been the lone bright spot in an otherwise bleak appliance market. In 1981, for example, microwave-oven factory shipments increased 20 percent, to 4.3 million units. Meanwhile shipments of most other appliance categories were down in 1981, some significantly. But the continued decline in the economy, with both high interest rates and high unemployment, has shown that not even the microwave oven is recession-proof.

And while sales and shipments of microwave ovens are expected to pick-up in the second half, it remains to be seen whether sales will reach 1981 levels by the end of the year.

The uncertain economic atmosphere has made it difficult for industry forecasters to predict microwave-oven sales. A year ago, a number of manufacturers had predicted that 1982 would be the first five-million-unit year in the microwave-oven business. It won't be.

The recession has had a devastating effect on all appliance sales. According to one appliance manufacturer, only the housing industry and the automobile industry have been more adversely affected by the recession.

The economic problems facing the industry are two-fold: the decline in the housing market has had a detrimental effect on the appliance market; and a decline in consumer confidence has altered the replacement cycle of most appliances.

Consumers aren't replacing their old appliances — they're fixing them. And (as in the case of microwave ovens) they are not as likely as in previous years to spend their discretionary dollars on an appliance that may be perceived as a convenience rather than a necessity.

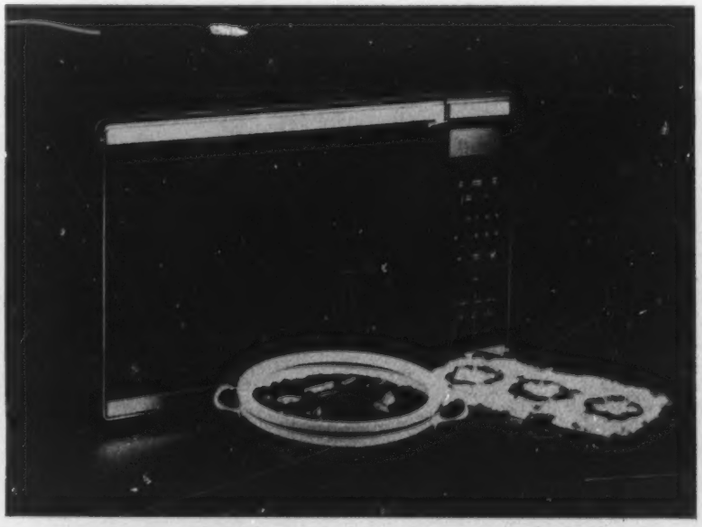
But, marketing experts in the appliance industry believe, the negative impact of the recession is only temporary. Pent-up demand will swell sales of microwave ovens when the recession ends.

The nagging question for manufacturers and retailers alike is — when will the recession end?

While sales and shipments of some appliances will lag behind as housing completions catch up to new housing starts, microwave-oven sales can be expected to grow at accelerated rates as soon as consumer spending picks up.

One thing is for sure: no other major appliance better fits the emerging lifestyles of the 1980s than the microwave oven. If any appliance product increases in sales in the next year, it will be the microwave.

[Continued on page 16]



Dual Wave Jet 230 countertop microwave by **General Electric** is designed to cook food more evenly from the bottom as well as the top. **Write in 394.**

Sales of gas grills and accessories approaching 'mass-market' proportions

[Continued from page 5]

With an average price paid per unit now somewhere in the $200 range, gas grills and grill accessories have become a $400 million business.

The grill business has historically amounted to more than 10 million units a year. Over the years the vast majority of these sales have been charcoal grills. But recently the proportion of gas grills in the total mix has increased.

According to the Barbecue Industry Assn., in 1980 gas grills accounted for more than 13 percent of the total grill market in unit volumes, and more than 50 percent of the dollar volumes in the barbecue grill industry. About three out of four U.S. households (more than 60 million households) own some barbecue equipment.

In one sense, the gas grill market is primarily a replacement market. Though it is estimated that only 10 percent of all gas grill customers are replacing a gas grill, nearly all gas grill customers are replacing some kind of a charcoal grill or hibachi.

The vast majority of first-time gas grill purchasers are graduates from a charcoal grill of some kind. These are customers who know something about outdoor cooking, and are looking to escape the mess, the expense, and the inconsistency of charcoal barbecuing.

Within the gas grill market there are three distinct pricing tiers.

Promotionally-priced gas grills (generally single burner models with relatively few features), are positioned in the marketplace as a small step-up from a good quality charcoal grill. These units are most often found in discount stores at price points around $100, although prices on such models can run from as low as $79 or less, to $129 or higher.

The second tier of the gas-grill business is the mid-line. These are generally well-featured but not top-of-the-line models. They generally have two burners with variable controls and have larger cooking areas than the basic units. They may or may not have automatic ignition or shelves.

The key price points for the mid-line category are $149, $179, $199, and up to $229 and $249. The majority of all gas-grill sales fall into this mid-line price category.

Private label and other mass merchandisers are the strongest factor in the marketplace in the mid-line category. But appliance stores, cooking specialty stores, and home centers are also strong factors in the mid-line business.

The third tier is the high-end models — more than $250. These units can run as high as $1,000 or more, generally deluxe featured, richly appointed with trim and shelves. Many have built-in carts, and often thermostats, windows, and other top-end touches.

The high-end of the market, although not a large proportion of the business in unit volumes, does contribute a large part of the dollar volume. These high-end units are sold primarily through mass merchandisers, appliance stores, and department stores — that is, outlets with trained sales personnel.

Gas grills currently have market saturation of around 10 percent, a point at which most major appliances have traditionally experienced a rapid and dramatic acceleration in sales and saturation.

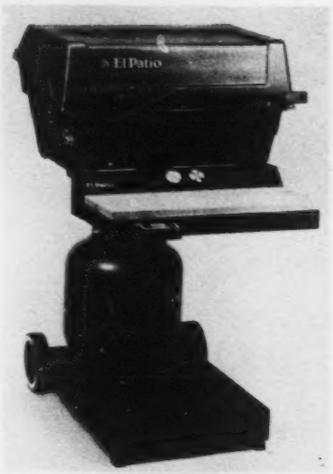
According to Tom Ogan, merchandising manager, Arkla Gas Grill Division, the typical gas-grill customer is no longer always in the 30- to 50-year age group. And while total household income of gas-grill purchasers is rather high, there are more less-affluent consumers purchasing gas grills today than ever before. Purchasers can come from any level on the economic ladder, Ogan said.

In addition to a broadening of the consumer base, the gas-grill business is becoming somewhat less seasonal, as well. While sales are still strongest in May, June, July, and August, in today's market there is a definite preseason sales period, and sales continue longer into the year.

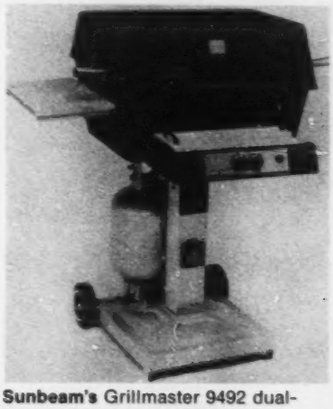
Gene McGuire, vice president of marketing of Charmglow, told MART that the gas grill market is less seasonal than it used to be. Charmglow has lengthened its sales season with a retail promotion run in conjunction with the National Football League.

"In addition to our NFL promotion, we find that sales are getting stronger at Thanksgiving and Christmas," McGuire said. "Dealers who order early to take advantage of pre-season discounts receive their merchandise early. Once the dealers have the merchandise on hand, they figure, 'why not promote it.' Many retailers are finding that Thanksgiving is a strong sales season; that a gas grill makes a great gift for the man or woman who has everything. We now have product in a number of leading Christmas gift catalog."

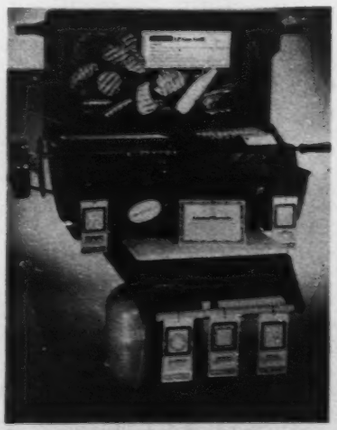
However, holiday gift sales are not the only reason for an expansion of sales year-round. The growing number of replacement sales in the market is



El Patio's top-end gas grill features electronic monitoring of temperature and level of gas. **Write in 395.**



Sunbeam's Grillmaster 9492 dual-burner deluxe gas grill features a 562-sq.-in. cooking area. **Write in 396.**



Structo's entire line now includes a full-color lid insert, warranty and benefit tags. **Write in 397.**

FULL 5
COMPACT UNDER COUNTER
(5 Cubic Ft.) REFRIGERATOR
$199
RETAIL white, $10. extra in walnut
This stylish under-counter refrigerator is a full five cubic feet with a walnut grained work top. It has a large across-the-top freezer and a deluxe crisper. Available in both white and walnut. Dimensions - 33" high, 19-3/4" wide, 22-3/4" deep.
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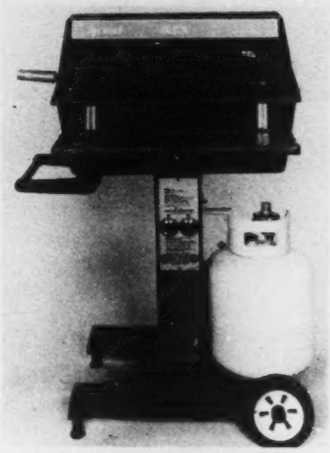
Write in 104.

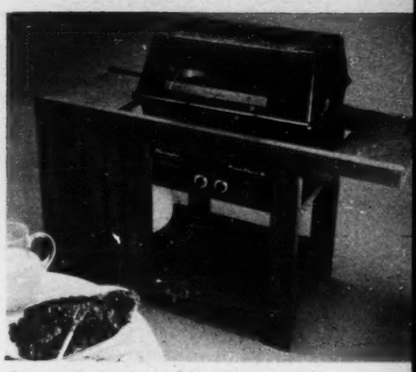
Sears Kenmore Gas Grill.
Now you can enjoy barbecued meals without the barbecue mess.
Save $100*
on this Portable Kenmore Gas Grill with Redwood Shelf now only $199.95**
Sears

Sears recently advertised a $100 savings on a portable gas grill. Price of purchase included redwood shelf, warming rack, briquettes.



Jacuzzi's top-of-the-line gas grill, model 4020, features 40,000 Btu's and a 485-sq.-in. cooking area. **Write in 398.**

Maverick's model ME3050 electric grill has a cooking area of 251 sq. in. The cooking surface features two adjustable grills. **Write in 399.**



Charmglow's top-of-the-line model 924J gas grill is mounted in a redwood cart. Includes a glass viewing window. **Write in 400.**

another reason.

Replacement customers know the capabilities of a gas grill, and generally buy a better model than the unit they are replacing.

According to Dale Bard, director of marketing for Falcon Manufacturing, the second-time gas-grill purchaser is becoming a larger factor in the business, and a likely candidate for a top-end grill. The effect of the increase in replacement sales, Bard said, is that the season has been appreciably lengthened on both ends.

The growth in the number of replacement sales is also having an effect on the average price paid per unit. Industry estimates range up to $190 per unit, with all manufactuers agreeing that the average price per unit is increasing as product mix improves.

The business is reportedly strong in all areas of the country. Somewhat surprisingly, sales are stronger in the northeast and midwest than in the sunbelt areas. Manufacturers explain that a gas grill can extend the barbecue season in cold climates. People who would never think of using a charcoal grill in bad weather are not at all reluctant to fire up the gas grill on a winter day.

Manufacturers also report that intend-to-buy surveys reveal snow-belt areas will continue to outgain other areas of the country.

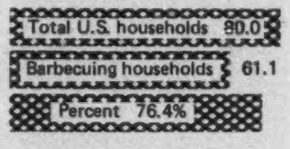
What is the health of the business? Considering the tough economic times, the gas-grill business is doing remarkably well. In fact, with ranges and microwave ovens suffering through "off" years, the argument can be made that gas grills are the fastest-growing cooking appliance in the industry.

The industry is further bolstered by an increase in gas-grill accessory sales. More than 10 percent of the dollar volumes in the business are for such profitable add-on items as lava rocks, rotisseries, shelves, and grill covers.

Despite the economy, sales and shipments of gas grills were up in the first half of 1982. Some manufacturers report dramatic sales increases in the first half. Others had less dramatic increases, but increases nontheless. The industry consensus is that by year-end, the gas grill industry will be ahead by 8 to 12 percent from last year's 1.6 million units. And 1983 will be the industry's first 2 million unit year. ■ **John Foster**
Senior Editor

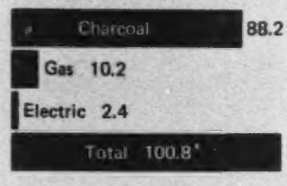
Barbecue grill market penetration

(Households in millions)

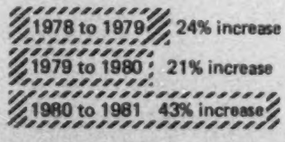


Total grills in service

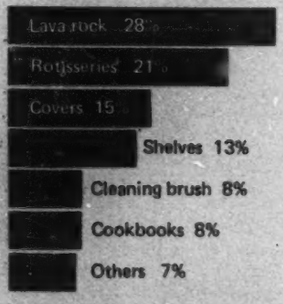
(Millions of units)



Gas grill accessory sales growth rate



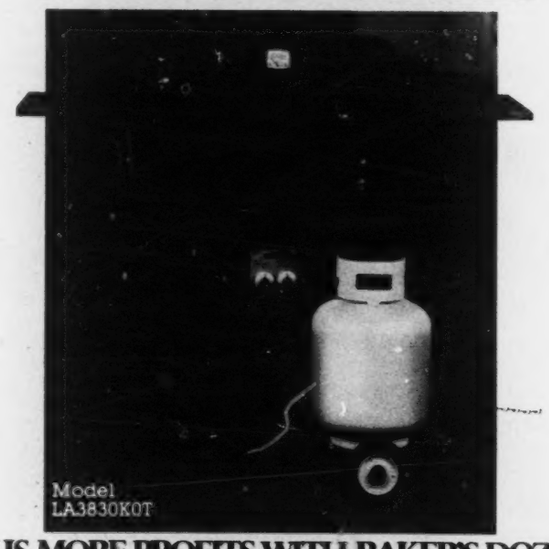
Breakout of accessory sales



*Average number of grills per barbecuing family=1.65

Source: Barbecue Industry Assn.

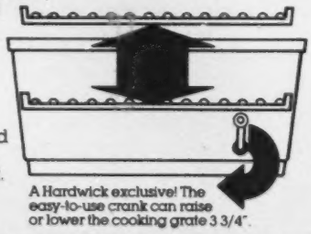
THE NEW HARDWICK 3800.
THE ONLY GAS GRILL WITH AN ADJUSTABLE-HEIGHT COOKING GRATE.



PLUS MORE PROFITS WITH BAKER'S DOZEN AND ADVERTISING SUPPORT.

Hardwick introduces a new gas grill with an exclusive feature that people will want. It's a front-mounted crank that lets them bake, roast, broil or sear to suit their taste.

Along with all the features you'd expect in a fine twin burner grill, the 3800 also offers a heat indicator, hardwood work shelves, an extra-deep tub and an accurate gas gauge on LP models. And it can be ordered with a portable cart, a sturdy patio base or permanent post.



A Hardwick exclusive! The easy-to-use crank can raise or lower the cooking grate 3 3/4".

So let the Hardwick 3800 increase your profits. Order today from your Hardwick Division Sales Manager and ask about our special Baker's Dozen.

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September 1982

MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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Ayse Kenmore of Liberty Music & Video, New York City

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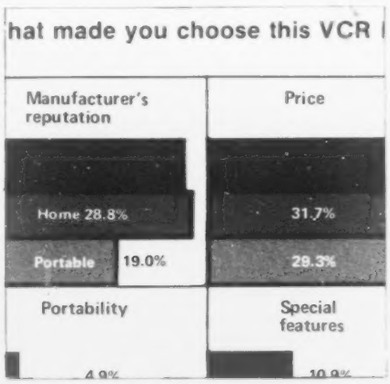
CONSUMER ELECTRONICS



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CONSUMER ELECTRONICS

MART
SEPTEMBER 1982

'Price Wars' new game entry for this fall?

A glut of new video games could put pressure on pricing during the fall/Christmas period

First there was TV Tennis, then Space Invaders, Asteroids, and Pac-Man. And now, the newest game on the video market: **Price Wars.**

Guaranteed *not* to be as popular as its predecessors, "Price Wars" could nonetheless be *the* game hanging over every dealer's head as early as this Christmas.

"Price Wars?" Just look at the facts. The hottest category at last June's Consumer Electronics Show, the video-game sector boasted one of the longest new-supplier lists since manufacturers discovered pre-recorded video tape.

With most of that game production coming on line in anticipation of a juicy Christmas season, retailers could be faced with a surfeit of legit titles, knock-offs, price points, and suppliers from which to choose.

Game manufacturers cannot offer retailers much help at this point. Most said they would wait for a market shake-out to remedy the category's congestion. However, suppliers admit, having so many firms distributing competitive versions of similar titles could lead to game buyers' mistaking one game and price point for another.

What could also happen is that manufacturers might target their advertising to both create brand awareness and educate the consumer to prefer quality games.

According to Michael Katz, Coleco vice president "Some retailers are dealing on sharp margins for video games; they are using the games as loss-leaders. I've also heard about retailers promoting the hardware to build traffic as well, advertising Atari hardware for

[Continued on page 15]

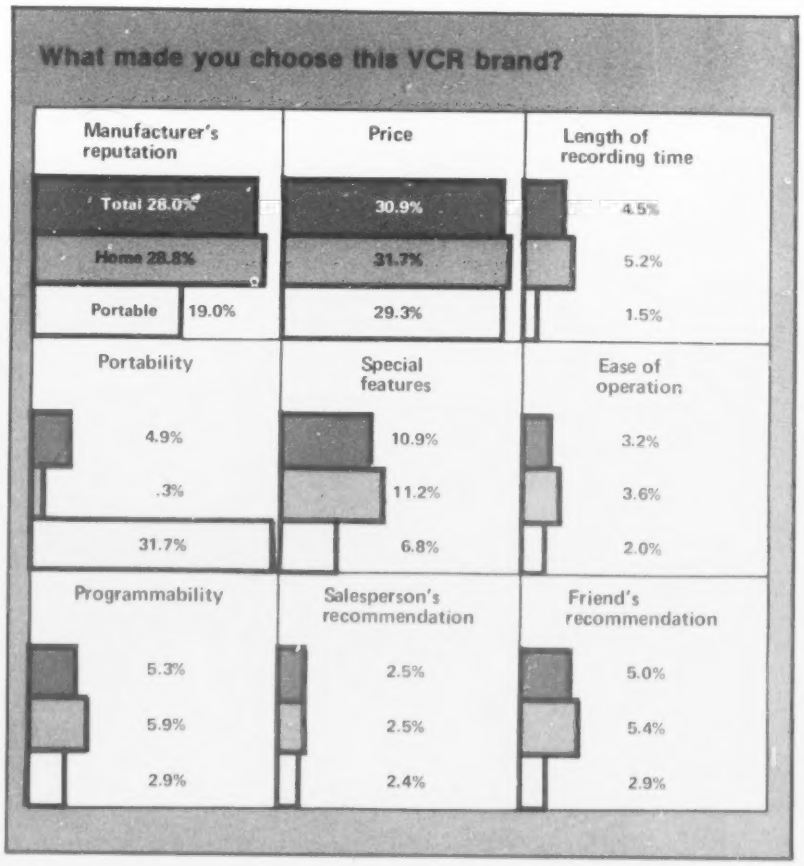
VCR survey: how and why they buy

In today's economy, price is coming more to the forefront in consumers' buying decisions, according to MART's fifth annual survey of VCR purchasers.

Of the 1,600 VCR owners who responded to our survey in July, more than 30 percent said price was the determining factor in their buying decision; 28 percent said the manufacturer's reputation was most critical.

Last year, by comparison, roughly 22 percent of the survey respondents chose their VCRs based on price, while the suppliers' reputation was most important to 29 percent of those VCR owners.

For more information on how these consumers bought their video cassette recorders, where they bought them, and what they use them for—as well as the outlook on what they plan to buy—see MART's exclusive consumer VCR survey on page 23. ■



Phone dealers urged to buy cordless now

Telephone retailers who have only conservatively ordered or stocked cordless telephones may find it difficult to obtain more later this fall when consumer demand is sure to exceed supply, warn telephone suppliers.

Greater consumer awareness, especially with increased Christmas advertising, will be one of the reasons for heightened demand. Already most of the manufacturers MART interviewed have stepped up or revised production schedules in anticipation of the surge.

At present, most manufacturers are producing cordless phones at full capacity. Sales have exceeded expectations as much as 230 to 300 percent this year, manufacturers told MART. And, if more cordless phones could possibly be produced, more would be sold for sure, all suppliers agreed. As one supplier put it, "With tears in our eyes we're losing what we could have sold."

"The cordless phone business is a hot balloon for all of us," said Roy Mulhall, vice president and general manager of

[Continued on page 27]

Color-TV sales still strong; price pressures build

Dealers are less apt to carry heavy inventories these days, according to TV manufacturers

Color-television manufacturers are still predicting industry sales of 11-million sets for this year, as they face the final quarter of 1982.

At the same time, however, industry executives pointed to a price-pressure build-up as well as to dealers relying more on manufacturers and distributors to carry inventory for them as factors in determining the year's success.

Arnold Valencia, president of RCA Sales Corp., for example, pointed out that "one of the pleasant surprises is that color TV continues at a very strong level."

Valencia added, however, that he notes a lot of pressure by dealers for distributors to carry their inventories. Factory and distributor inventories are about 10 to 11 percent higher than last year, he feels.

Valencia added that the remote-control color-TV business has been running higher as a percent of total sales than last year. On the other hand, the projection-TV business is down, and he does not believe the industry will hit its earlier estimates for the category. He sees projection-TV sales this year at around 120,000 units for the industry.

Mike McDavitt, general manager, marketing, for General Electric's television division, also has revised his projection-TV forecasts downward.

"We had earlier said that 150,000 projection sets would be sold this year," he told MART. "Now we feel the total will probably be lower than 118,000 units — and it could be as low as 100,000."

McDavitt feels the recession has definitely had an effect on projection sales: "People are simply reluctant to put that much money down for a product in this kind of economy."

Color television, on the other hand, is "the most stable part of the business right now," according to McDavitt.

Charles Daigneault, executive vice president of Sharp Electronic Corp.'s consumer electronics operation, described color-TV set sales as "good," but profits as "lousy." He complained that manufacturers have been over-building, hence the build-up in inventories, followed by price pressure.

"I don't know the exact figures, but we probably have a production level of 15 to 16 million color-TV sets a year, but we are selling at a rate of only 11.5 million," said Daigneault.

"Everybody, however, is building to a percentage of the 15 to 16 million sets, and everybody is trying to move their merchandise as fast as possible. Yet, some producers have cut back production somewhat. If manufacturers can keep production down, then business will get back to a profitable basis," he contended.

Robert O'Neil, executive vice president of Hitachi Sales Corp. of America, called color TV a "shining star for us at this point.

"The industry is talking 11 million color TV sets this year," O'Neal said. "It's a strange recessionary environment we are in. Color TV has been impervious to the economic problem: It's been running with the best averages of the past two or three years.

"If you were to ask me," O'Neil continued, "what is the safest way to go in electronics business in the next 12 to 18 months or two years, I'd say color TV.

"I have more projectability and more confidence in color TV's performance than I do in the video cassette recorder's because color is more stable; it is a more projectable business than VCR," O'Neil stressed.

Ed Adis, vice president-sales for Sony Consumer Products, observed that Sony is "ahead in color-TV sales so far this year, over a record-breaking 1981."

[Continued on page 22]

CONSUMER SURVEY

VIDEO-RECORDERS

How and why consumers buy a VCR

The video business has been as little affected by the current recession as any consumer-electronics product category. But what impact has the sluggish economy had on consumer buying patterns for one of the higher-end video products, the video cassette recorder?

To find out, MART *surveyed known purchasers of eight video-recorder brands, asking them how and why they bought the VCR they currently owned, and what related products they plan to buy in the future. More than 1,600 VCR owners returned our questionnaire.*

The answers to this fifth annual MART *consumer VCR survey offer insights into buying decisions and future purchasing intentions which can help retailers to plan their merchandising of both video recorders and other video products and accessories as well.*

With the growth of portable VCRs as a factor in the market, this year for the first time MART *broke out the survey respondents between purchasers of home VCR decks and portables; some interesting differences in buying patterns between the two emerged.*

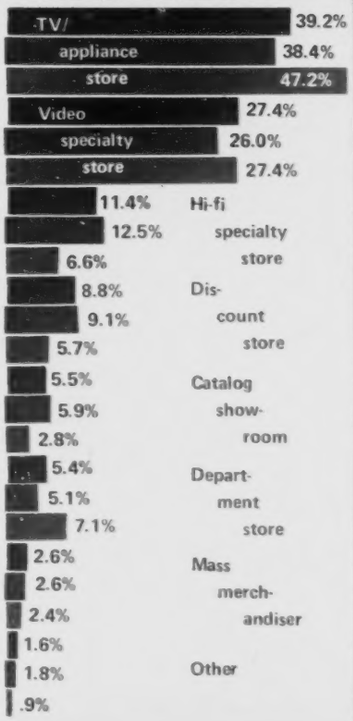
Also, to allow us to ask more in-depth questions about these consumers' purchase and use of video products, this year's questionnaire was expanded, and the results will be presented in two parts. This month, details of the video-hardware questions are given on the next three pages; results of the video-software survey questions will be included in MART*'s exclusive video software guide in October.*

Video specialty stores are picking up a larger share of today's video-cassette-recorder business, with most of their increase coming at the expense of traditional TV/appliance outlets, according to MART's 1982 VCR survey.

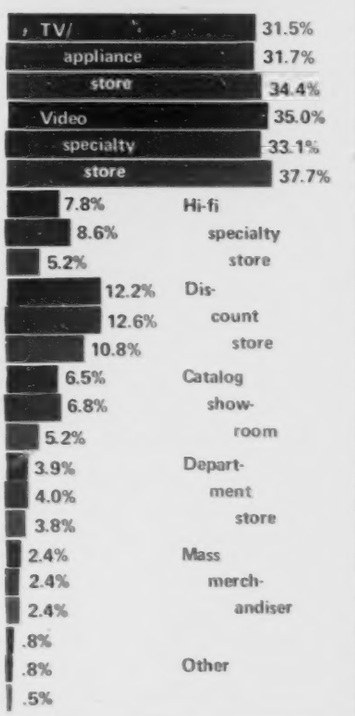
At the same time, this year's 1,600 survey respondents indicated, VCR customers are paying more attention to price when they buy: while in last year's survey only 22.1 percent of the respondents said price was their number-one reason for buying a particular brand, with 29 percent picking the manufacturer's reputation as most important, this year price was the prime consideration for nearly 31 percent of these VCR owners. Manufacturer's reputation ranked second among this year's group, with 28 percent pegging it as most important.

This year's survey showed a sharp drop in the number of VCR owners who said they bought their units at TV/appliance stores: last year this type of outlet was well in front, with 48.3 percent of the 1981 survey respondents having purchased their VCRs in TV/appliance stores. This year, while still on top, the TV/appliance outlet's share of the market dropped to 39.2 percent.

Where did you buy your VCR?



If you were to buy a new VCR today where would you most likely buy it?



What type of VCR did you buy?

Home deck	82.7%
Portable	13.5
Both	3.9

Considering your knowledge of video recording at this time, would you buy a VCR again?

	Total	Home	Portable
Yes	98.1%	98.2%	98.6%
No	1.9	1.8	1.4

Would you buy the same brand of VCR again?

	Total	Home	Portable
Yes	90.4%	90.0%	91.3%
No	9.6	10.0	8.7

When you bought the VCR, did the salesperson attempt to sell you tapes or a camera?

	Total	Home	Portable
Yes	29.5%	25.7%	50.0%
No	70.5	74.3	50.0

How many times did you visit the store before buying the VCR?

	Total	Home	Portable
1	28.0%		
2	30.1	28.4%	28.4%
3	14.9	29.5	35.1
4	4.2	14.6	12.4
5	2.8	3.7	5.7
6	1.7	3.0	1.5
7 or more	4.5	4.6	5.1

How many other stores did you shop in before buying your VCR?

	Total	Home	Portable
0	20.7%	21.4%	15.9%
1	7.9	7.9	8.7
2	16.0	16.4	15.4
3	17.4	17.5	16.4
4	12.0	12.3	12.8
5	10.6	10.0	14.4
6	5.9	5.7	5.6
7 or more	9.5	8.9	10.3

TOTAL HOME PORTABLE

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CONSUMER SURVEY

VIDEO RECORDERS

[Continued from page 23]

And these consumers' responses indicate, the video specialty store may be getting an even larger share of the VCR business in the future. When asked "If you were to buy a new VCR today, where would you most likely buy it?" video specialty stores soared right to the top, with 35 percent of the 1,600 respondents saying they would take this option. TV/appliance stores, by comparison, were named by only 31.5 percent of these VCR owners as the place where they would most likely buy again.

What types of video recorders did these consumers purchase? Just under 83 percent of our survey respondents had home VCR decks, while 13.5 percent had purchased portable video recorders (and, interestingly, another 3.9 percent turned out to have bought both).

And, despite current economic limitations, most of these consumers made their buying decisions relatively quickly. More than 20 percent bought the VCR in the first store they visited; another 23.9 percent shopped at only one or two other stores before purchasing the VCR. (The portable VCR owners, however, indicated they did more shopping around, with nearly 30 percent saying they had visited three or four stores in addition to the one they bought at.)

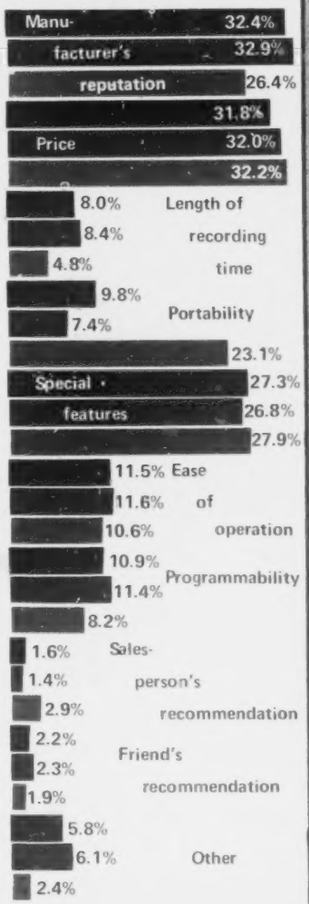
Once they picked out a store, these owners also bought pretty quickly: 28 percent bought their VCR on their first visit to the store, while another 30.1 percent bought the unit on their second visit.

By and large, these VCR owners are extremely happy with the units they've purchased. More than 98 percent said they would buy a VCR again, given their current knowledge of the product, with portable and home-deck owners just about equally satisified with their products. More than 90 percent said they would buy the same brand again.

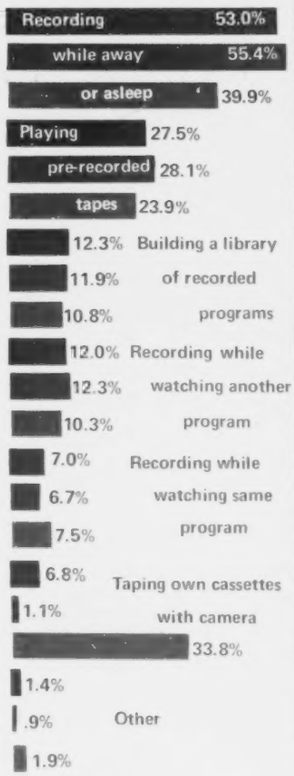
About the product in general, these consumers commented, "I enjoy the freedom it gives the TV viewer to view what he wants at his convenience," "It takes a great deal of use (or abuse) from my six-year-old son and has been working very well," "Because of my VCR I have cancelled my cable service, since I can now watch what I want when I want from the majors and public network," and "It is a real wonder and I just love it. Keep on making them forever!"

The 9.6 percent of VCR owners who said they would not buy the same brand again generally cited service problems they have had with their current units, or special features lacking from their previous VCR supplier as the reason for their dissatisfaction. And, perhaps indicative of a growing level of consumer awareness about the category, one VCR owner commented, "I would buy the same brand again if the price were the same as for other name brands. All VCRs are made by just a few manufacturers in Japan, and all brands in a given format are basically the same."

If you were to buy a new VCR, how would you choose the brand?



What is your primary use of the VCR?



Do you currently own a video disc player?

	Total	Home	Portable
Yes	2.1%	2.0%	1.9%
No	97.9	98.0	98.1

If not, do you plan to buy a video disc player?

	Total	Home	Portable
Yes, in 6 mos.	.2%	.1%	.5%
Yes, in 12 mos.	.7	.8	.5
Yes, in 18 mos.	2.4	2.4	2.1
Do not plan to buy	96.7	96.7	96.8

Do you plan to buy a new color TV set to use with your VCR?

	Total	Home	Portable
Yes, in 6 mos.	4.4%	4.0%	5.3%
Yes, in 12 mos.	4.7	4.6	4.9
Yes, in 18 mos.	7.7	7.8	6.8
Already purchased	2.9	3.1	2.4
Do not plan to buy	80.3	80.6	80.6

Have you purchased a camera for your VCR?

	Total	Home	Portable
Yes	15.1%	3.1%	66.8%
No	84.9	96.9	33.2

What kind of camera did you buy?

	Total	Home	Portable
Color	95.2%	76.3%	98.5%
Black-and-white	4.8	23.7	1.5

If you don't own a video camera now, do you plan to buy one?

	Total	Home	Portable
Yes, within 6 months	3.2%	2.8%	7.9%
Yes, within 12 months	13.8	12.9	30.2
Yes, within 18 months	22.1	21.6	28.6
Do not plan to buy	60.8	62.7	30.2

If so, did you buy it at the same time or after you bought the VCR?

	Total	Home	Portable
Same time	62.2%	25.6%	77.3%
After	37.8	74.4	22.7

TOTAL HOME PORTABLE

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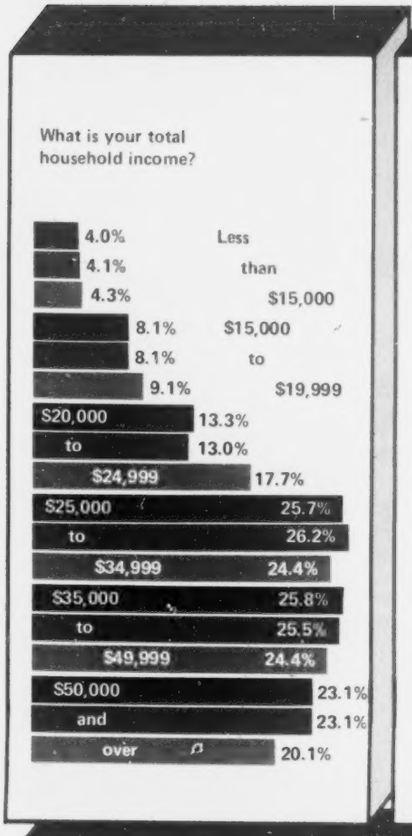


What is your marital status?

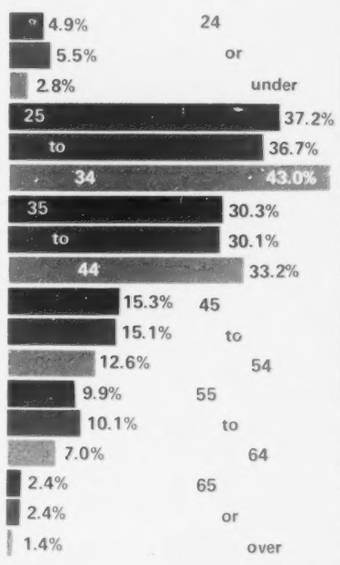
	Total	Home	Portable
Married	73.3%	71.5%	81.3%
Single	19.6	21.4	13.1
Widowed	1.2	1.3	.5
Separated	.6	.4	.9
Divorced	5.3	5.4	4.2

How many persons are in your household?

	Total	Home	Portable
1	13.2%	13.9%	9.8%
2	34.3	35.1	29.4
3	19.6	19.1	23.8
4	22.2	21.9	22.4
5	7.3	6.7	11.2
6	2.5	2.6	1.9
7	.4	.3	.9
8 or more	.5	.4	.5

What is the highest level of school you completed?

	Total	Home	Portable
8th grade or less	.6%	.7%	.5%
Some high school	3.0	3.3	1.9
High school graduate	20.8	20.5	24.3
Some college	28.0	28.6	23.8
College graduate	25.5	23.7	21.0
Post-graduate work	24.7	23.2	28.5



[Continued from page 24]

Whatever the consumer's reason for choosing a particular VCR brand, once that decision was made the salesperson in the store did little to encourage that customer toward additional purchases. Only 29.5 percent of these 1,600 VCR owners said the salesperson made any attempt to sell them additional video tapes—either blank or pre-recorded—or a video camera at the time of the VCR purchase.

However, one of sharpest diversities between portable and home-deck owners turned up here. That 29.5 percent is a weighted total of all VCR owners in the survey. Broken down by type of machine, though, fully 50 percent of the portable-VCR purchasers said some attempt was made to encourage an add-on sale, most probably of a video camera. (And, in fact, 66.8 percent of the portable-VCR owners said they had purchased a camera as well, most of them at the same time they bought the video recorder.)

Among the home-deck purchasers, however, only 25.7 percent said the salesperson attempted to sell them tapes and a camera, and only 3.1 percent of these home-unit owners have in fact purchased a video camera for their VCRs.

Of those survey respondents who did buy a camera, 25.6 percent of the home-deck owners and 77.3 percent of the portable owners said they bought the camera at the same time as the video recorder; the rest of the survey respondents came back for the camera later.

Of those video-cassette recorder owners who do not currently own a video camera, 62.7 percent of the home-deck owners and 30.2 percent of the portable owners said they do not plan to buy one. Another 15.7 percent of the home-deck owners and 38.1 percent of the portable owners said they plan to purchase a camera within the next 12 months, however.

The time-shift function remains the most consumer's popular use for a video cassette recorder, according to MART's 1982 survey, although playing pre-recorded tapes is gaining fast.

In this year's survey, 53 percent of the total VCR ownership said recording while away from home or asleep was their most common use of the video recorder (among portable-VCR owners, however, only 39.9 percent picked this as their most common usage).

Playing pre-recorded tapes was cited as the most common usage by 27.5 percent of these VCR owners; in last year's survey, by comparison, only 20.3 percent of the respondents picked playing pre-recorded software as their primary usage.

More than 12 percent of the total ownership picked building a library of recorded programs as their most common use of the product, while a similar number said they most often recorded one program while watching another, and another 7 percent said they most commonly recorded a program while watching it.

The biggest diversity among portable and home-deck VCR owners came, not surprisingly, in their usage of the product to tape their own programs with a video camera. Only 6.8 percent of the total survey respondents picked this as their most common usage; for the portable owners, however, this was the primary usage of more than one-third.

Of this group of 1,600 video recorder owners, only 2.1 percent said they currently own a video disc player as well. Less than one percent of them said they plan to buy a disc player in the next 12 months, while another 2.4 percent said they will probably buy a video disc player within 18 months.

And what about future buying plans for color television sets? Slightly less than 3 percent of these VCR owners said they have already bought a new color set to use with their VCRs. Nearly 10 percent more said they plan to buy a new color TV set within the next year, while another 7.7 percent said they expect to buy a new color model in the next 18 months.

What do these consumer attitudes and responses mean to the video retailer?

First, the continuing gain by pre-recorded cassettes as a primary usage of the video recorder indicates once again that retailers who are not selling video software along with the video hardware should seriously consider doing so. (This statistic also provides more ammunition for the right-to-tape forces, indicating that more and more consumers are buying these machines to watch pre-recorded programming rather than to tape off the air.)

This growing interest in pre-recorded programming also could be a shot in the arm for retailers selling video disc players, as it points to an increasing enthusiasm for the kind of program material the disc can offer as well as if not better than the video recorder.

MART's buying-decision statistics also indicate that the economy is turning more and more consumers back in the direction of price as a determining factor in a major purchase, at least as long as money remains tight.

Finally, it indicates that, even though money is still tight, these generally young, affluent consumers have not taken themselves out of the market for other video products following their VCR purchase. Their announced interest in accessories such as a video camera, as well as in a new color-TV purchase, could be translated into plus business for the retailer who follows up on his or her list of past VCR customers. ■

Cathy Ciccolella
Editor-in-chief

What are these 1,600 VCR owners doing about buying and renting video software and what are their future software purchasing intentions? To find out, read the second installment of MART's exclusive fifth annual consumer VCR survey, appearing in next month's special Video Software Guide.

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MAJOR APPLIANCES

Catalogs offer little that's new in appliances

Fashion may get the cover treatment, but plenty of appliance offerings are present to lure the catalog shopper in the new winter books from the leading national merchandisers.

Microwave ovens continue in the starring role, receiving heavy attention in all the catalogs. Most of the product developments are in this appliance category.

In fact, most appliance categories offer relatively few new product features. Even pricing is not so different in the new books. Some upward drift still exists, but to a much lesser extent than in the past several editions, and some reductions can be noted. The slackening in the product-development and pricing pace undoubtedly is a reflection of the recessionary sales climate, from which even the big national merchandisers are not immune.

Leading off the major-appliance section in the fall/winter catalog from Sears, Roebuck and Co. is a micro/convection oven at $789.95. Pictured under the heading, "the innovative quality of Kenmore," the "Sears Best" unit features "exclusive new dehydration capability. . .functions for three types of cooking (including) micro/convection for the best of both (and) 25 preprogrammed recipes. . ."

Also new in Sears' microwave lineup — which has been expanded to 15

[Continued on page 34]

Lower prices for housewares in fall catalogs

Electric housewares, both private-label and national-branded, are heavily represented in the new fall/winter catalogs from the nation's giant retailers.

Assortments are similar to those carried in the spring/summer books from Aldens, Montgomery Ward, J.C. Penney, Sears, Roebuck, and Spiegel, but a sprinkling of new items may be found. The rate of price increases seems to have slowed, and some price cuts even turn up, an indication that a sluggish economy has begun to erode the inflationary spiral.

Sears, holding fast to its private-label policy, highlights in a full-color page "The best of CounterCraft," its house brand. Included are a new 16-speed table mixer with micro-processor circuitry at $179.99. Of five other items, three are unchanged — a 12-cup coffeemaker at $49.99; a juice extractor, $64.99; and a seven-speed food processor, $79.99. A self-cleaning spray iron is $2 higher, at $31.99, and a 12-cup coffeemaker with 24-hour timer is reduced $5 to $49.99.

More extensive reductions are noted in convection ovens. On two low-end models, Sears has cut spring-book prices $30 on a .7-cu.-ft. leader model, now $89.98; and $40 on the step-up model, now $129.99. The top-of-line touch-control, continuous-clean model

[Continued on page 35]

Kitchen-appliance business will recover in future with pent-up replacement sales

Things are tough in the major appliance industry. That's hardly news to industry insiders. But the fact is there aren't many businesses feeling the pinch quite as badly as the appliance industry.

Sales are off dramatically. According to the Assn. of Home Appliance Manufacturers (AHAM), first-half appliance factory shipments were down more than 18 percent across the board.

A key factor affecting appliance manufacturers has been the steep decline in the new-housing market. The rate of new housing construction is under one million units a year, down from two million units or more in normal economic times.

Probably just as significant to the industry has been the apparent decline in kitchen remodeling. Consumers are not only not buying houses, they're not making any major purchases. With interest rates at super-high levels, few consumers are making major expenditures for kitchen remodeling projects.

Sales and shipments of refrigerators, dishwashers, compactors, ranges, and disposers are down dramatically from 1981 levels. But manufacturers remain optimistic that many appliance sales have been postponed rather than cancelled.

When the economy finally turns around (eventually it will), and when consumer spending picks up, there will be a slight pick up in sales from a pent-up demand for some appliances — replacement purchases postponed because of the economy.

But the replacement cycle of a number of appliances has been disturbed, and some sales have been lost. Recovery will be slow and gradual, as the industry reverts to its normal replacement cycle.

What is the outlook for the appliance industry? Sales are expected to pick-up in the second half. But for the most part, manufacturers do not expect the industry to reach 1981 sales and shipment levels.

Until recently (as recently as April or May), manufacturers had expressed optimism that 1982 would reach 1981 sales levels. But according to John Platts, chairman of Whirlpool Corp., industry shipments will be off by 4 to 6 percent at year's end.

AHAM has projected year-end shipments of the nine major appliance categories will reach 28.7 million units, down from 30.5 million units in 1981, 30.3 million in 1980, and 33.2 million in 1979. Actually, the second half of the year should compare favorably with

[Continued on page 30]

No longer a work area at the back of the house, the kitchen is becoming a family entertainment center. Kitchens were conceived by Whirlpool (left) and General Electric (right).

Major appliance factory shipments: trends and forecasts

(Millions of units)

	1981	1982 (est)	1983 (est)
Room air conditioners	3.693	3.510	3.700
Dehumidifiers	.536	.554	.600
Dishwashers	2.484	2.169	2.416
Disposers	3.194	2.845	3.050
Compactors	.191	.167	.197
Refrigerators	4.944	4.694	5.020
Freezers	1.605	1.423	1.504
Electric ranges	2.328	2.018	2.330
Microwave ovens/ranges	4.422	4.440	4.699
Washers	4.365	4.248	4.350
Dryers	2.977	2.856	3.003
Total	30.482	28.694	30.619

Source: AHAM

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Long-term recovery is expected for the kitchen-appliance industry

A healthy future is predicted on replacement sales alone

[Continued from page 29]
1981, because sales and shipments were weak last year.

For the longer term, AHAM is predicting that 30.6 million units will be shipped in 1983, with slight increases projected in all categories.

What are the trends in the kitchen? As the cost of housing and its financing remains high, homes are being designed and built smaller. Interior walls are being removed throughout the house, creating the feeling of wide-open, airy spaces in a limited floor plan.

Often these large living spaces are open out to the kitchen area. Or looking at it another way, the kitchen is becoming more of a living area in the contemporary home.

As lifestyles grow more relaxed, fewer homeowners are using formal dining areas. More elaborate eating areas are being built into the kitchen.

With two-income families becoming the norm rather than the exception in modern society, meal time and meal preparation time is one of the few times of day when the family gets together.

No longer a work area at the back of the house, the kitchen is becoming a family entertainment area. More homes have televisions or stereo equipment in the kitchen than ever before. And the home-of-the-future may include a computer in the kitchen.

While the total number of new housing units is down, the biggest decline has been in single-family detached housing. Most recent construction has been apartment-type units and condominiums — and these housing units have smaller kitchens than average. Implicit with small kitchens are smaller appliances and working spaces.

Condominiums and apartments are apt to be equipped with small cooking appliances and refrigerators but standard-size dishwashers. Because countertop workspace is so precious, microwave ovens are likely to be in combination configurations or installed over the range using the G.E. Spacemaker or the Littonaire as an example. A number of manufacturers offer microwave shelves that install in the same space as a range hood. Any model of countertop microwave oven can be used with these shelves, without tying up valuable counterspace.

Manufacturers are keeping a close eye on the down-sizing trend. So far, however, down-sizing has not been apparent in the replacement market for single family households. Replacement customers, for the most part, are step-up customers. They buy units with more features than the models they are replacing, often units with larger capacities than the units they are replacing. In most cases, outside dimensions rather than interior capacity determine the size of replacement appliance purchases.

But replacement sales made during a recession are not typical. And with increased consumer emphasis on energy usage, many consumers are looking for smaller-capacity appliances to cut energy usage. Today's consumer knows and understands the concept of energy-saving payback, and many are willing to pay a bit of a premium for a unit that will save money over the life of the appliance.

Manufacturers also note that there has been an overall scaling down of the features on the average kitchen appliance.

As lifestyles grow more relaxed, fewer homeowners are using formal dining areas. More elaborate eating areas are being built into the kitchen, such as this one by Magic Chef.

The key to recovery in the kitchen appliance business is a return to lower interest rates which would allow a return to a normal cycle of home-building.

New households are being formed every day. It is estimated that more than two million units of housing a year will be needed just to keep up with new household formations. And every year the production of close to two million new homes adds to the growing housing shortage. This demand will eventually have to be met.

A decline in interest rates would also have a positive affect on the kitchen remodeling business. Retail sales would pick up as well. And an increase in consumer spending levels would not only increase the number of units sold, but would increase the feature level and have a positive affect on the average price paid per unit.

Recovery will be slow throughout the entire economy but especially the appliance industry. In fact, because appliance installation is among the final stages of home construction, the benefits of an upturn in housing would not be felt in the appliance business for a year or more.

Long term, however, the industry has a healthy future based on normal replacement cycles alone. New household formations are frosting on the cake.

Refrigerators

The replacement market for refrigerators insures sales of at least 4 million units a year. Market saturation for refrigerators is more than 105 percent. Upwards of 88 million refrigerators are in use in the 80 million or so U.S. homes. Every household has at least one refrigerator, and many have two or more. Manufacturers estimate that more than 80 percent of all refrigerator sales today are replacements.

But during the current recession, replacement sales have been about all the industry has been able to count on. The new home market and the kitchen remodeling market have all but dried up. So while the recession continues, refrigerator sales limp along at a 4-million-unit-a-year rate rather than the 6-million-plus units experienced in healthier economic times.

Replacement sales have held up well, however. Since repairs on refrigerators tend to be quite costly, and most consumers are reluctant to put $100 or more into a unit that is probably 10 years old or older, consumers are more likely to buy a new refrigerator.

And for the most part, replacement customers tend to step up to full-featured models.

Until the last year or two, refrigerator-replacement customers traditionally bought slightly larger units than the units they were replacing. But that trend may no longer be true.

Historically, manufacturers have been able to increase interior capacities by use of more efficient but less bulky insulation materials. Today there is no way to increase interior capacity without also affecting outside dimensions.

In addition, consumers are now looking for more efficient appliances. And smaller refrigerators are perceived as using less energy than the larger ones.

Also, today's families tend to be smaller than in past years, thereby not needing a large capacity refrigerator. In today's market, many consumers are buying deluxe 14- and 16-cu.-ft. models.

A slight decline in the proportion of side-by-side refrigerators has occurred in the industry mix. Manufacturers attribute the drop to the decline in new housing. About 75 percent of all industry unit sales are new top mounts. About 15 percent are side-by-sides. Three to 5 percent are bottom mounts, and the remainder are single-door models.

There has also been recent growth in the market for compact refrigerators. There are two distinct markets for compacts, and both are growing. There has been an increase in condominium and apartment installations where space is a limiting factor. And there has been an increase in the number of people who buy a compact as a second refrigerator.

In the first half of the year refrigerator factory shipments were down by 18 percent from 1981 levels. Sales will improve in the second half, but year-end totals will fall short of 1981 by a fairly wide margin.

Ranges

The key word in the cooking-appliance business is "versatility." Consumers are looking for products that will do more than bake, broil, and boil. And manufacturers have responded with an almost unlimited combination of units that will barbecue, fry, cook with convected heat, or cook by induction. There has been more innovation in cooking appliances in the last few years than any other appliance product category.

The housing slump has hurt range sales more than any other appliance category. And the slump in kitchen

remodeling has added a double whammy. Unit shipments of both gas and electric ranges are down significantly in 1982.

In the first half, electric range shipments were down 24 percent at a rate that would fall below two million units a year. Gas range shipments were down 10 percent at an annual rate of less than 1.5 million units. This is the fourth straight year of shipment decline since 1978.

Market saturation of gas and electric ranges is more than 95 percent. But with few moving parts, the life cycle of ranges is much longer than for most appliances. It is also cheaper and easier to replace a surface unit or two than to replace an entire range. There is evidence (from manufacturer parts sales) that consumers are currently repairing rather than replacing a large number of ranges.

Electric ranges continue to outsell gas ranges by an ever widening margin. And free-standing ranges continue to increase as a proportion of sales while built-ins decline.

The popularity of countertop microwave ovens is having a carry-over effect in the full-size range market. Manufacturers are predicting that microwave combination ranges will continue to be the fastest growing cooking appliance over the next few years.

When interest rates come down, there will be an increase in kitchen remodeling and new home construction. One manufacturer has estimated that up to 5 million kitchens a year will be remodeled during the next few years. And pent-up demand (those consumers who have replaced surface units), will bolster replacement sales of ranges.

Microwaves

Forget the theory that the microwave oven is recession-proof. Sales and shipments in the first half were down by about 13 percent. Hopes that 1982 would be the first 5-million-unit year have been dashed. Hopefully, 1982 will be the second 4-million-unit year.

Manufacturers are confident that by the end of the year, sales and shipments of microwave ovens will equal or slightly better the 1981 total. They point out that the second half of 1981 was weak, and traditionally 60 percent of all sales are made in the second half.

Sales of microwave ovens now surpass both gas and electric ranges combined.

The microwave market has grown to "mass market" proportions. Saturation, currently approximating 25 percent, is expected to eventually reach 60 percent or more.

Growth is now fastest in mid-line models — units from $300 to $450. The proportion of top-end sales is declining but unit sales are holding steady and dollar volumes are up. And there has been an increase in sales of units under $300.

The microwave oven business has spawned a large and profitable add-on business in microwave cookware and accessories. Retailers report that it is not unusual to increase microwave sales by 25 percent or more by selling up to $100 worth of accessories to microwave oven customers. And gross margins are higher on accessories than on microwave ovens.

As the market grows, there has been a shift in where units are sold. Discount department stores and mass merchandisers are taking a larger share of the business. As customers realize that they can carry the unit with them, discounters are expected to capture an even larger share. Appliance dealers and specialty stores still get the majority of the profitable top-end sales.

The microwave oven will be relatively unaffected by an increase in new housing. But a decline in interest rates and an upturn in consumer spending will boost sales sharply.

The microwave oven is the ideal cooking appliance of the 1980s. It cooks quicker and cleaner than other cooking methods, and uses less energy. As more women enter the workforce, sales of microwave ovens are expected to grow even faster than they have in the past.

Dishwashers

In the next few years dishwasher sales will show more growth than any other appliance category, except perhaps microwave ovens. Manufacturers are excited by the long-range sales forecasts for dishwashers, and market saturation, currently at about 40 percent, will eventually climb to 75 percent or higher.

But the short-term reality is not so encouraging.

Factory shipments of dishwashers were down nearly 24 percent in the first half of this year. Built-in-dishwasher sales and shipments were down 22 percent, at a rate that will fall short of 2 million units for the first time since 1975. Portable-dishwasher sales have almost disappeared entirely: shipments in the first half were down 34 percent.

Manufacturers currently estimate that about half of all dishwasher sales today are replacement sales. As the number of replacement sales increases, appliance retailers will gain a larger share of the built-in business.

The average price paid for dishwashers continues to climb: the average price paid for a built-in dishwasher is now above $430.

Factory shipments of dishwashers are expected to improve in the years ahead. The combination of replacement sales and new household formations could boost sales to more than 5 million units a year in the next few years. ■

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Retail Management

Operating results by types of dealerships (percent comparison)

	Appliance/ electronics sales service	Appliance/ electronics sales only	Audio component stores	Furniture-only stores	Service-only firms	Video-tape renters
Sales	+ 11.0%	+ 6.0%	- 12.0%	+ 9.0%	- 5.0%	+ 42.0%
Gross margin	25.3	22.4	27.3	42.6	54.6	36.3
Expense ratio	22.3	19.2	27.8	35.6	52.0	26.9
Other income	1.8	.6	3.4	3.0	.6	—
Other expense	3.1	.8	3.8	5.9	1.2	—
Net profit (before tax)	1.7	3.0	(.9)	4.1	2.0	9.4

Source: NARDA

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1981 profits tough to get: NARDA survey

Hard-goods merchants had their hardest time in making a profit in 1981 than in any year during the past two decades, according to Jules Steinberg, NARDA's executive secretary.

Steinberg made the comment in analyzing the National Assn. of Retail Dealers of America "Cost-of-Doing-Business Survey" covering 1981.

"In fact," said Steinberg, the profit hardship was only exceeded in difficulty by the first half of 1982."

In releasing preliminary figures from the survey, he pointed out sales in all product categories with the exception of audio component stores were up from the previous year but the average across-the-board gains just about kept pace with inflation.

Appliance and home-electronics sales and service firms scored an 11-percent increase as opposed to those dealers without a service department, who were ahead by 6 percent, and furniture-only stores, ahead by 9 percent.

Audio component specialty dealers registered a 12-percent drop in sales, and "service only" outlets lagged about 5 percent behind last year's volume.

Of the six different types of dealers covered by the survey, video tape renters did the best with a 42 percent increase in business. "The video tape renters' increase was not surprising," said Steinberg, "in view of the 56 percent increase in video-recorder sales reported by merchants."

The association executive said these figures represented the computer tabulation of individual returns from 1610 members of NARDA's 1981 "Cost-of-Doing-Business" questionnaire.

The survey covers more than 30 different income and expense accounts for retailers. It shows that expenses as a percentage of sales were up for all groups.

Steinberg said the most encouraging of all the statistics was that sales-per-salesperson in all product categories were up over the previous year indicating better salesperson performance. He observed that this sales-per-salesperson increase could be because owner/managers reduced sales staff in 1982 and handled more sales themselves.

The survey shows that sales-per-salesperson for appliance/home electronics stores, which averaged $317,000 in 1980, climbed to $320,000 in 1981. ■

ART WEINBERG

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'A lot of companies try to bypass their retailers, using them only as a remote-control cash register.'

— Andrew Segal, Empire Scientific

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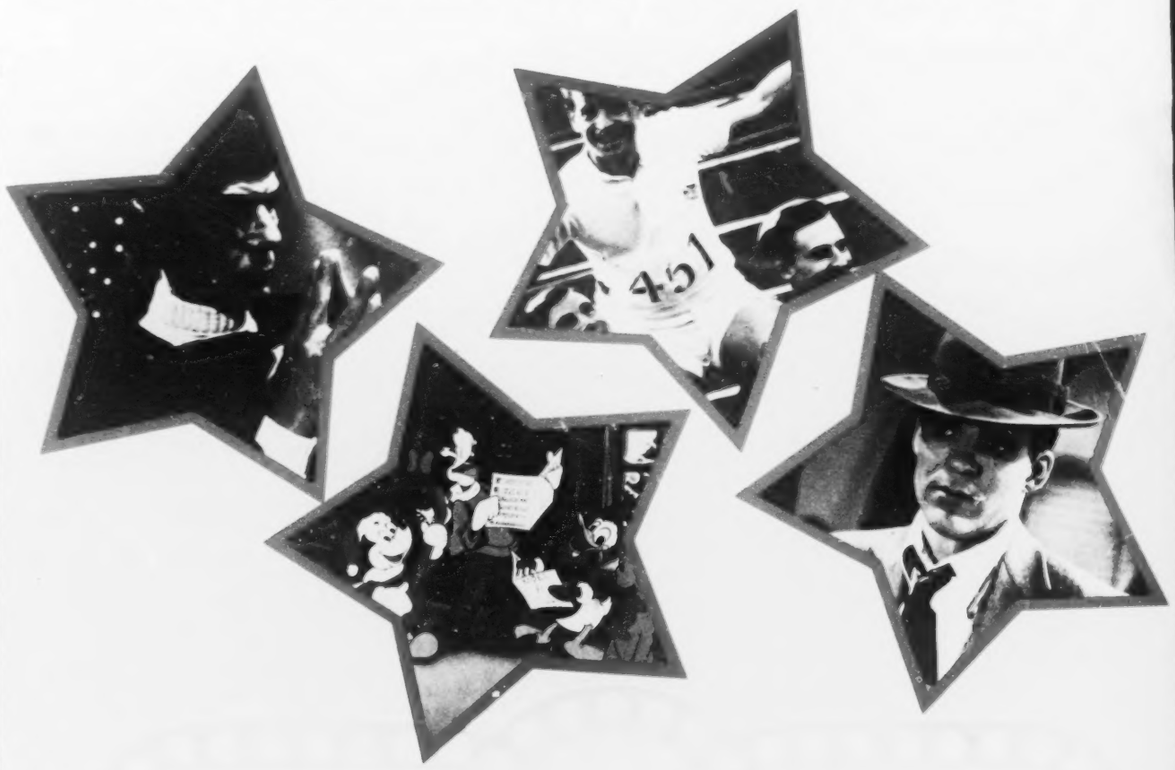

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RETAIL MANAGEMENT

NATM group owns Capehart trademark

The NATM Buying Corp. now has its own trademark: the electronics/appliance buying group recently purchased the Capehart trademark.

"NATM members will use the Capehart name on a wide variety of items, including appliances as well as electronics," commented Saul Gold, the group's executive director.

Acquisition of the brand name is a natural step in NATM's effort to secure merchandise exclusive to its members, according to Gold. "We are presently discussing private-label lines with various manufacturers with the intent to develop the Capehart name."

NATM members operate more than 400 stores in 29 states, and have a combined volume of more than $1 billion, Gold added. ■

Larry Allen, Gateway TV, receives NARDA award

Larry Allen of Gateway TV, West Jefferson, NC, was presented the annual Bell Cow Award at the National Assn. of Retail Dealers of America's Institute of Management at Notre Dame University, South Bend, IN, recently.

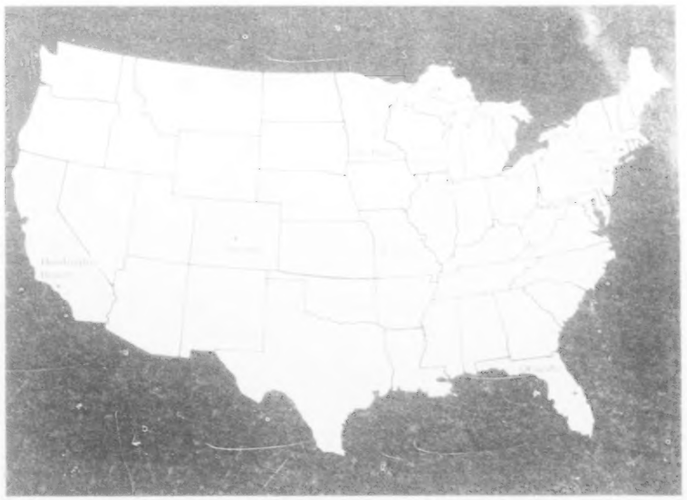
The award is given to dealers for the year's best merchandising innovation.

"We gave every customer who came in a hard-hat to help us get the merchandise off the third floor," he said. Allen described the event as a "tremendous success."

The promotion which won Allen the award was a "hard-hat sale" in which merchandise on the third floor of the store was put on sale. ■

Laundry gains at retail

Despite the economy, retailers say, their laundry sales have increased, and the next six months look good



Having to do the laundry is a necessity in life. And, as long as people need to do the laundry and despair at having to go to a laundromat, washers and dryers probably will continue to bring appliance retailers a steady stream of business.

This year, in fact, despite the economy, retailers told MART that they have experienced sales gains in the laundry appliance area of their businesses of from 10 to 28 percent. One retailer even reported a 70 percent increase over the past year. And the sales outlook for the next six months looks healthy as well, with sales expected to increase between 10 and 30 percent.

Retailers told MART that consumers are buying middle-of-the-line laundry appliances this year in the popular price range of between $299 and $450 for washers, and between $249 and $399 for dryers. They're buying large-capacity, top-loading washers with such features as variable water-level controls and multiple speeds and cycles, and heavy-duty dryers which automatically shut off when clothes are dry and which have variable heat levels.

Some of the other trends MART spotted from interviews with retailers around the country are:

- Between 75 and 95 percent of laundry-appliance sales are replacement sales versus first-time purchases;
- There is a trend toward the sale of more compact laundry units in some areas of the country;
- Sales of matched sets are down for a majority of the washer-and-dryer retailers interviewed;

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Computer a valuable partner for New Jersey video specialist

The system permits the store to track its rental program, studio licensing, inventories, and title movement

Some people swear **at** their computers. Peter Gleason swears **by** his.

In business for four years, Gleason retail operations manager of The Video Center, Clifton, NJ, called his outfit the "oldest and largest video retailer in the area." The store stocks over $150,000 worth of tapes; runs a video rental program that fields a library of 4,000 tapes, 15 video cassette recorders, and six projection TV sets; and keeps track of the whole shebang with the aid of a computer.

Specially designed for the video retailer, Gleason told MART, his particular system was "pioneered with us by Computerized Business Assistance Corp. of New Jersey. It keeps track of our pre-recorded tapes, and assigns them various headings, such as drama, how-to, western, police, etc.

"Once the computer has all the information on a tape, it can sort it out on readout sheets and cross reference a title, as well. When we call up a selection, the computer can rate it into four different categories. It will also print a price readout for us, and even tell us where to keep it on our shelves."

Gleason's computer also tracks the current retail selling price on a title's VHS or Beta version, and the average (dealer) cost on a new tape vs. one that's been on the shelf, as well as printing out the name of the supplier from which The Video Center purchased the title.

According to Gleason, who waxed enthusiastic over the cost savings the computer provided, using the system permits the store to track its rental program, studio licensing, and inventories in a way he couldn't have duplicated by relying on staffers and "intuition."

"As for monitoring our rental program," he explained, "the computer keeps track of how often a particular title goes out; how much we received for the rental; whether it went out for one, three, or seven days; and whether or not there was an overtime charge. At the end of a certain amount of time, we can call up this information, determine which tapes are good movers, and decide how many units of each title to keep, and how many to get rid of.

"The advantage we derive is an ability to track the movement of a title, see when it's starting to fade, and start selling off inventory while the film is still relatively hot.

"The computer also tracks who is renting what by customer name, and at

[Continued on page 79]

Video dealers using computers to juggle inventory

Peter Gleason of The Video Center, Clifton, NJ, isn't the only video retailer relying on computers to keep his inventory straight.

In the course of recent interviews, MART discovered several dealers who used computers to keep on top of their businesses. Although none programs his or her system to assume as much responsibility as Gleason does, they did agree that for inventory control, in particular, their computers were invaluable additions to the business.

Video Take Out, a North Hollywood, CA, mail-order outfit, makes almost as extensive use of its computer system as The Video Center. According to General Manager Celeste Dolan, the software-only company 'keeps its inventory on computer, and our ordering is plugged right into it. We keep our mailing lists on computer as well.'

In business for 2½ years, Video Take Out has used computers, at least for its mailings, for 1½ years.

The six-store Videoland chain in Dallas, TX, has also been using a computer to keep its inventories accurate. The four-year-old operation sells both video hardware and software, runs a rental club, and promotes video games. With 1,500 pre-recorded video-tape titles, and a variable-time rental club, 'we need to use a computer to watch our inventory,' reported salesperson Pete Griffith.

According to Gleason of The Video Center, most retailers would need to carry pre-recorded tape inventories of 500 titles to justify the cost of a computer. Even so, many larger retailers who have considered taking on computers for one reason or another have opted to do without them.

Paul Luskin of Luskin's High Fidelity, Hollywood, FL, has been selling video products, beginning with television sets, since 1969. His nine stores moved 900 video cassette recorders in June alone. Plus, he sells video games, and offers customers a selection of pre-recorded software. He does not use a computer.

'We don't use computers in the business,' he told MART, 'although we would consider using them in the future. But right now, we're selling our inventory as fast as we can, turning it every 30 days, so putting it on computer doesn't seem practical yet.'

Retail laundry business flourishes

[Continued from page 23]

• Prices are up from 2 to 10 percent over the past year.

"Consumers are not using all of the features of a top-of-the-line model anymore," said Floyd Donaldson, store manager, Sam Gordon's, Madison, NJ. "Now, they're buying middle-of-the-line laundry units," he added.

Washers that are selling at Sam Gordon's usually feature two speeds and an adjustable water level control. Ninety-nine percent of sales are top-loaders and 75 percent of sales are large capacity (18 lbs) washers, he added, noting that the most popular price point for a washer at Sam Gordon's is $429.95.

"And, when buying a dryer, the consumer is looking for the humidistat feature which automatically shuts off the dryer when clothes are dry. It's an energy-saving device that's very popular," said Donaldson. "Also, gas dryers sell three to one over electric. Popular price points are $369.95 for gas dryers and $329.95 for electric ones."

Sales of laundry appliances at Sam Gordon's are strong, reported Donaldson. "And, although 80 percent of sales are replacement sales, a lot of new construction in the area will increase sales of first-time purchases," he noted.

Ninety-five percent of sales are replacements at Townhouse TV & Appliances in Chicago, according to Mike Moore, Sr., president, "It used to be different," Moore explained. "There were two markets for laundry appliances — the 'need' and 'want' markets. Well, the 'want' market doesn't exist anymore.

"Now, sales come from consumers who absolutely need a washer or dryer. Many times, they'll service the ones that break down. And, if a dryer breaks many times it's not even replaced; they just hang their clothes out to dry instead.

"The market has lessened or become a lot smaller because of the economy — because a lot of people are out of work," he concluded.

Compact washer and dryer pairs have jumped from two or three sales a year to almost 20 to 25 per month in the past year-and-a-half at Sullivan Appliance & TV in Arvada, CO, reported Weldon Sullivan, owner.

Laundry appliance sales in general have been very strong for Sullivan's. Over the past year sales of regular washers and dryers are up over 70 percent, reported Sullivan, who noted that his summer sale and "jello jump," lower interest rates, and a general turn-around in the economy has helped boost business.

"Condominiums and townhouses are popular out here and because they are built small, they need the compacts — so we've seen some action in this area. It's become quite a trend," Sullivan noted.

There is definitely a need for compacts, added Jay Lebowitz, president, Mr. Jay Appliances & TV Inc., Williston Park, Long Island. "Plus," he added, "we'll probably see replacement sales of compacts from the condos that have been built here in the past five years."

Sales of regular-sized matched sets, however, are down for the majority of retailers MART interviewed.

"Sales of matched sets are not nearly what they used to be," said Robert Clements, sales manager, Claude Wolf TV & Appliances in Orlando, FL. "Dryers tend to outlast washers, so people replace the washers and make do with their dryers for as long as they last," Clements added.

Townhouse's Moore agrees; sales of matched sets used to be a much higher percentage of the business. "Sets used to account for 75 percent of our laundry appliance sales," he said. "Now, consumers just buy what needs to be replaced."

Jim Osterhaut, co-owner of Phil & Jim's in Huntington Beach, CA, how-

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'When buying a dryer, the consumer is looking for the humidistat feature which automatically shuts off the dryer when clothes are dry. It's an energy-saving device.'

— Floyd Donaldson, Sam Gordon's

Retail Management

Laundry sales spin along; price is a factor

[Continued from page 24]

ever, sees things differently. Overall sales are up 28 percent. Matched sets now consist of 60 percent of the laundry appliance business, which is up from 44 percent last year, said Osterhaut.

He attributes the increase in set sales to advertising. "We advertise washers and dryers as pairs in the newspapers and on TV at least three times a week."

In St. Louis, MO, however, Steve Mizerany, president of New Deal, is optimistic that the recession is bottoming out. "Business will pick up in the last quarter," he noted, adding that interest rates are coming down and the building trade is picking up.

"There's been a great push in housing, here," he noted. "All of the real estate agencies are holding open houses." He projected the sale of laundry appliances (90 percent of which are replacement sales) will increase about 10 percent in the next six months.

The number of condominiums that have sprung up in various areas of the country has also created a trend towards more compact washer and dryer sales, some retailers noted.

For example, at Bernies' TV & Appliances in Hartford, CT, sales of compact laundry units comprise about 25 percent of the store's laundry-appliance business, said Milton Rosenberg, president. "The number of condominiums in this area are growing and the trend towards compacts is very strong," he reported.

But, in St. Louis, Steve Mizerany, of New Deal, said whether appliances are matched doesn't matter; price does. "Our consumers buy the unit with the price tag which best fits their pockets," he added.

Pricing has definitely become a factor for consumers purchasing laundry appliances today, added Wendy Lawrence, manager, Watson TV & Appliance, St. Paul, MN. "Last year customers were buying higher-priced models because they felt they would last longer." Today they're buying what they can afford, she noted.

Sales have been fairly consistent over the past year, added lawrence, who noted that the popular price range for washers is now between $379 and $450 and for dryers between $289 and $329.

"No, they're not buying all the bells and whistles of the top-of-the-line anymore," added John Fisher, co-owner of Bill Fisher's Appliance Center in North Rockford, IL. "They're buying more medium-priced lines, such as washers in the range of $350 to $399 and dryers in the range of $299 and $349."

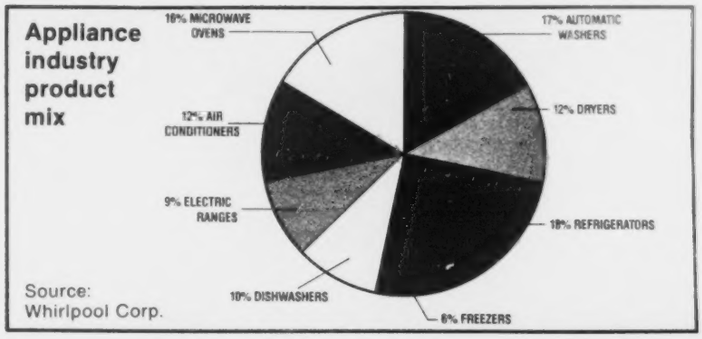
But sales have been extremely good, reported Fisher. "They haven't slowed down."

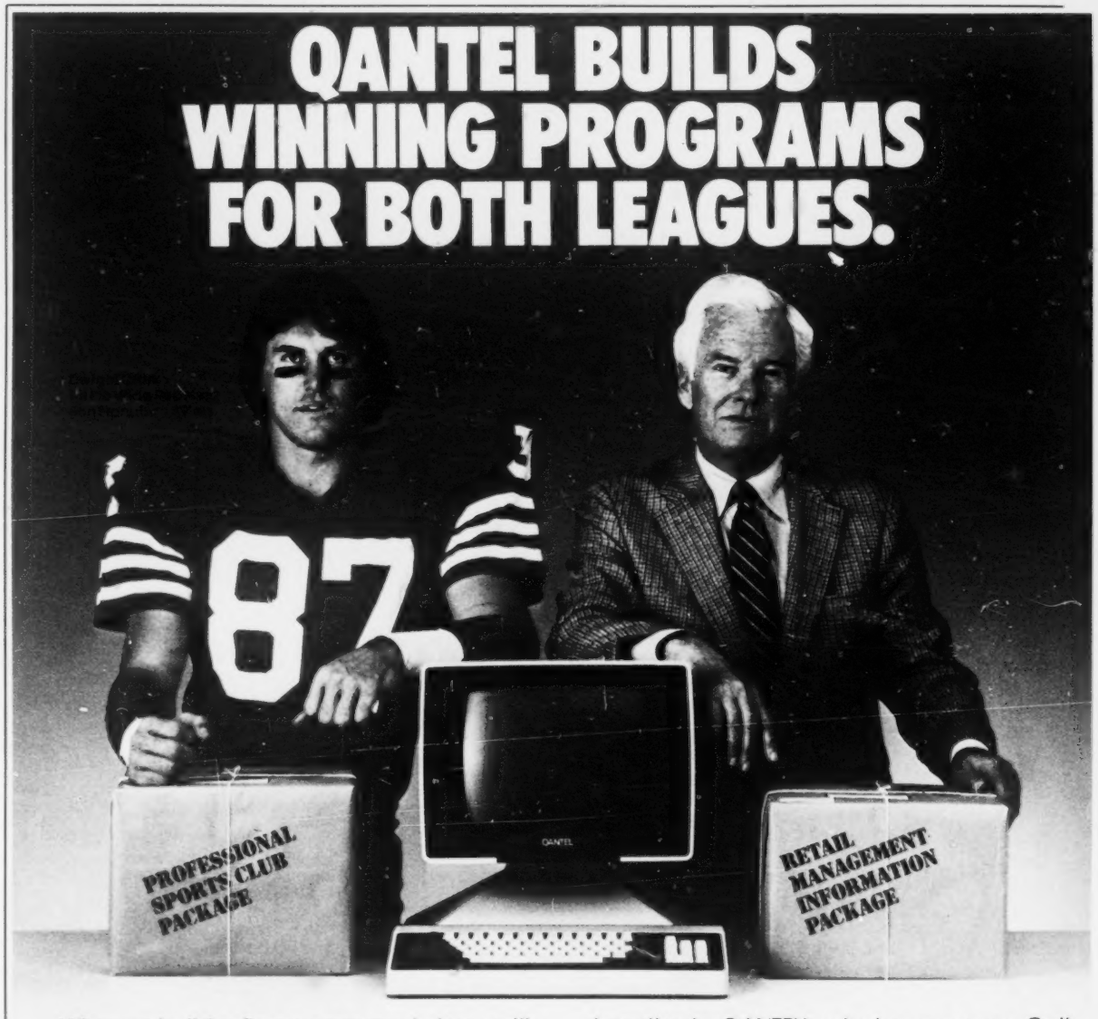
Sales are up about 10 percent at Mr. Jay Appliances as well, according to Lebowitz. He noted that a sale price in the $300 range brings in a lot of price-conscious customers. But, his actual selling price is between $350 and $365 for washers and between $279 and $300 for dryers.

Prices as well as sales are up about 10 percent at Bernie's TV & Appliances too. This year the majority of his washer sales lie in the $299 to $399 range; one-third in the $379 to $399 range; and 25 percent in the $339 to $379 range.

Rosenberg projects sales in the next six months should be even stronger. He anticipates at least another 10 to 20 percent sales increase. "I'm very bullish on the outlook of the laundry-appliance business. Laundry is a necessity and appliance sales will continue to grow. I'm sure there's a lot of pent-up business out there from people who have been making do." ■

Peggy Odenbach
Associate Editor





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How and why consumers buy/rent video software

Software — both blank and pre-recorded — is becoming an increasingly important part of the video business.

As the in-use population of video cassette recorders grows, these VCR owners are continuing to buy blank tape to use their machines' recording capabilities, both with a camera and off the air. At the same time, the skyrocketing growth of varied programming available on video tape is leading these consumers to build libraries of titles they want to watch again and again, as well as to rent cassettes for an evening's entertainment.

And, as the video disc player begins to penetrate the consumer population, the video-disc market is developing into a lucrative profit source for video retailers.

What kinds of buying patterns have developed for video software? How strong is the rental vs. sale market? What types of video material are consumers most interested in?

To find out, MART surveyed 1,600 known VCR owners and asked them about their video-software habits, broken down by portable or deck usage (62 of the survey respondents own both a portable and a home VCR).

Of these 1,600 consumers, 2.1 percent own a video disc player as well, and were asked about their disc-buying patterns, too.

The answers to this fifth annual MART consumer video survey offer insights into software buying patterns that can help retailers plan their merchandising of video cassettes and discs. (The first half of this exclusive MART survey, covering video hardware, was presented in our September issue.)

Consumers are buying more video software these days, despite an apparent lack of interest in merchandising software on the part of video-hardware salespeople, according to MART's exclusive 1982 video survey.

At the same time, this year's 1,600 survey respondents indicated, VCR owners are continuing to purchase

Since owning your VCR, how many blank tapes have you purchased?

	Total	Home	Portable
None	10.7%	11.5%	7.5%
1	6.2	6.5	5.6
2	8.8	9.3	8.0
3	6.7	7.0	6.6
4	7.8	7.5	10.3
5	5.6	5.5	7.5
6	7.2	6.9	11.3
7	2.3	2.5	1.4
8	3.5	3.9	1.4
9	0.9	0.9	0.5
10	7.7	7.5	9.4
11-19	12.7	12.3	16.5
20-29	8.3	8.2	7.0
30-39	3.7	3.6	1.9
40-49	2.8	2.8	1.4
50-99	3.0	2.6	2.3
100 or more	2.1	1.4	1.4

Average = 15

Since owning your VCR, how many pre-recorded tapes have you purchased?

	Total	Home	Portable
None	75.0%	75.2%	80.5%
1	6.0	6.2	5.9
2	4.3	4.8	1.5
3	2.5	2.4	1.5
4	2.1	1.9	2.0
5	1.8	1.8	0.5
6	1.5	1.4	1.5
7	0.5	0.5	0.5
8	0.7	0.7	0.5
9	0.2	0.2	0
10	1.7	1.5	2.0
11-19	1.9	1.7	1.5
20 or more	2.0	1.9	2.4

Average = 2.3

software — both blank and pre-recorded — after taking their video recorders home, and more than two-thirds of them are renting pre-recorded programming as well.

Although only 29.5 percent of these consumers said the salesperson who sold them the VCR made any attempt to sell tape or a camera at the same time, more than half of them bought one or two blank cassettes along with the VCR. Another 20.9 percent bought from three to five blank tapes with their video cassette recorder, 8.5 percent bought from six to 10, and 4.7 bought more than 10 blank cassettes. (The average number of blank tapes bought with the VCR was 2.9. . .and that was with no encouragement from a salesperson in most cases.)

And these VCR owners are still buying. Since their VCR purchase, 35.1 percent of our survey respondents (most of whom purchased their video recorders within the past year) have bought from one to five additional blank tapes. Another 36.7 percent have purchased from six to 10 additional blank tapes, and 32.6 percent have bought more than 10.

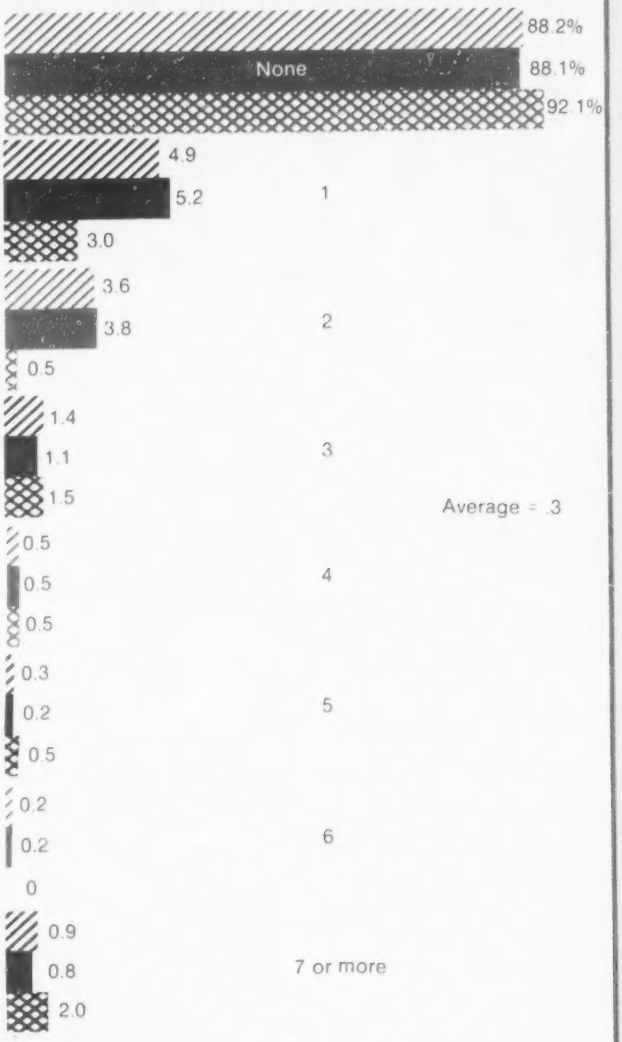
(Interestingly, 3 percent of these consumers have bought from 50 to 99 blank cassettes, and another 2.1 percent have purchased 100 or more. And, not surprisingly, the survey respondents who said they own both a home deck and a portable VCR lead the way in blank-tape buying: 14.8 percent of these dual-machine owners said they have purchased between 50 and 99 blank tapes, and 21.3 percent of them have bought more than 100.)

(In MART's 1981 VCR survey, by comparison, only 23.6 percent of the respondents had purchased from five to 10 blank tapes, although 31.9 percent said they had bought more than 10.)

This year, for the first time, our survey broke out buying patterns between home- and portable-VCR owners, and some divergence emerged in blank-tape purchases. The home-deck buyers tended to buy slightly more blank tapes at the time of the VCR purchase than did the portable-VCR owners; on the other hand, the portable owners have bought

[Continued on page S-14]

At the time you bought your VCR, how many pre-recorded tapes did you buy?



Do you belong to a video-tape-rental club?

	Total	Home	Portable
Yes	63.0%	61.5%	66.7%
No	37.0	38.5	33.3

Total Home Portable

[Continued from page S-13]

more since owning their video recorders.

Branded software suppliers continue to dominate the blank-video-tape market, MART's survey indicates. Of these 1,600 VCR owners, only 18.1 percent said they generally buy the same brand of video tape as their video recorder.

The pre-recorded-video-tape market is also growing by leaps and bounds, as evidenced by the fact that 27.5 percent of these VCR owners said their primary use of the machine is playing pre-recorded material (compared to only 20.3 percent in MART's 1981 survey). And, obviously, owners of home VCR decks are buying more pre-recorded programming than portable-VCR owners, although the portable buyers are doing their share as well.

Buying pre-recorded cassettes seems to be an acquired taste, however: 88.1 percent of the home-deck owners and 92.1 percent of the portable owners said they did not buy any pre-recorded tapes at the time they bought the VCR. Of those consumers who did, 10.7 percent bought from one to five cassettes, and only 1.1 percent bought more than five.

After the VCR purchases, however, the pre-recorded-tape purchase became another story. While 75 percent of these VCR owners (80 percent in the case of the portable-VCR purchasers) said they have not bought any pre-recorded tapes, the 25 percent of the total who have bought them quite a few.

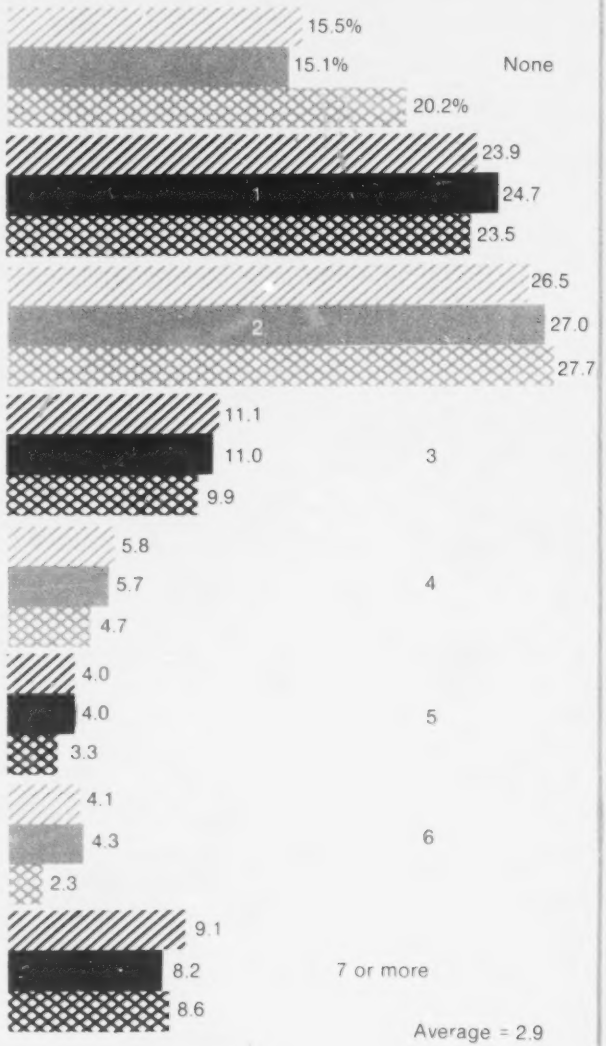
Slightly more than 17 percent of the home-deck owners have bought from one to five pre-recorded tapes since purchasing the VCR, and another 4.3 percent have bought from six to 10. Another 3.6 percent have purchased more than 10 pre-recorded cassettes.

But if only 25 percent of these 1,600 VCR owners are purchasing pre-recorded video cassettes, a lot more — 69.2 percent — are renting them.

Sixty-three percent of MART's survey respondents belong to a video-tape-rental club; the rest are renting on a piecemeal basis. And they are renting in considerable quantities; the average number of tapes rented per month by those consumers who said they do rent is 5.6.

[Continued on page S-16]

At the time you bought your VCR, how many blank tapes did you buy?



When buying blank tape, what brand do you usually buy?

	Total	Home	Portable
Same brand as VCR	18.1%	18.3%	11.7%
Another brand	81.9	81.7	88.3

Total Home Portable

Have yourself "A Walt Disney Christmas" and light up your Christmas SALES.

We've gone all out to make this new Disney Christmas promotion the biggest and best you've ever sold.

The Walt Disney Christmas promotion is what you've come to expect from Disney: a carefully conceived, innovative, self-contained merchandising system . . . easy to display and easy to sell.

Here's "A Walt Disney Christmas" with all the trimmings:

1. NEW PRODUCT:
   - A new 1982 version of "A Walt Disney Christmas," this time featuring **6** classic Disney Christmas cartoons on videocassette . . . with longer running time (46 Minutes) including two new cartoons: ON ICE and DONALD'S SNOW FIGHT.
   - A FREE 10-inch Mickey Mouse plush toy.
   - A totally new and redesigned gift package.
   - All for only $49.95. Suggested retail.
2. NEW POINT OF PURCHASE:
   - A real grabber! The beautiful new Christmas floor display is 71 inches tall and requires only 6.2 sq. ft. of floor space. It's easy to assemble too! Holds 16 videocassettes and Mickey Mouse plush toys in retail boxes.
   - Bright Christmasy poster. Perfect for wall or window.
   - Full-color handouts. 300 per display for your customers and club member mailings to promote the Christmas videocassette and FREE Mickey Mouse plush toy.
3. NATIONAL CONSUMER ADVERTISING
4. STAND ALONE PROMOTION
   - "A Walt Disney Christmas" is a fully merchandised and self-contained promotion. And if you're not in the video business, it's a great way to start up with video software in your retail store.

Hurry! "A Walt Disney Christmas" 1982 is programmed to be the biggest selling videocassette of all time. So call your local authorized Disney distributor or this toll-free number:

1-800-423-2259. In California, Alaska or Hawaii, call collect: 1-213-840-1859.

The magic lives on...

Walt Disney HOME VIDEO

©MCMLXXXII Walt Disney Productions
Walt Disney Home Video distributed by Walt Disney Telecommunications and Non-Theatrical Co., Burbank, CA

Write in 118

Do you rent any pre-recorded tapes?

	Total	Home	Portable
Yes	69.2%	69.7%	63.4%
No	30.8	30.3	36.6

[Continued from page S-14]

Some consumers are renting a lot more than that each month: 22.7 percent of these VCR owners are renting from six to 10 cassettes monthly; another 7 percent say they rent from 11 to 19 a month. And 4 percent rent more than 20.

(Owners of home VCR decks are renting more pre-recorded tapes than portable-VCR owners, but the numbers are fairly close.)

The average overnight rental charge being paid by these consumers is $3, although they indicated a broad diversity in rental fees. More than 3 percent said they usually pay under a dollar to rent a tape for one night; another 15.9 percent pay from $1 to $1.99. Rentals of from $2 to $2.99 are paid by the largest share of these VCR owners, 30.6 percent, while the second most-often-paid rental charge, paid by 26.7 percent, is between $3 and $3.99.

Just over 8 percent of these consumers pay from $4 to $4.99 to rent a tape for one night, another 10.2 percent pay between $5 and $5.99, and 4.6 percent pay $6 or more per night.

And what kind of programming are these consumers watching? Some interesting differences turn up between those who rent as well as buy cassettes and those who buy only.

Among those consumers answering our survey who both buy and rent video cassettes, current feature films were by far the most popular choice, with 58.8 percent picking that category as the type of programming they usually rent or buy. Movie classics came second for this group, with 16.3 percent saying they generally choose this type of material, followed by 13.8 percent who said they most often rent or buy X-rated material.

The consumers who said they never rent video tapes, but prefer to buy them,

If you rent tapes, how many per month?

Total Home Portable

What do you usually pay per night to rent a tape?

	Total	Home	Portable
Under $1	3.6%	3.2%	4.6%
$1-1.99	15.9	15.4	19.1
$2-2.99	30.6	31.5	23.0
$3-3.99	26.7	27.3	24.5
$4-4.99	8.2	7.7	13.0
$5-5.99	10.2	10.9	7.6
$6 or more	4.6	4.1	8.4

Average = 3

What type of pre-recorded programming do you usually rent or buy?

Current feature films	56.3%
Movie classics	16.3
Children's programs	6.8
Sports	1.6
X-rated	15.5
Educational/instructional	2.2
Concerts	0.3
Foreign films	0.3
Other	0.6

showed quite a different pattern. Among this group (only 30.8 percent of our total 1,600 respondents) X-rated programming came out on top, with 36.9 percent saying they usually buy this type of material. Current feature films were second, with 25.1 percent choosing them as their programming preference, followed by movie classics with 21.6 percent.

And what about the video-disc-player owners? They're buying a lot of software, too.

Of the 2.1 percent of our survey respondents who said they also own a video disc player (most bought within the past year), 29.8 percent have purchased between 10 and 19 discs since the player purchase. Another 26.6 percent said they have bought from five to nine discs, while 20 percent have bought from one to four.

Twenty to 29 video discs have been purchased by 6.6 percent of these disc-player owners, while another 13.3 percent said they have bought 30 or more discs. Only 3.3 percent said they have not bought any.

And, these consumers indicated, video-disc rentals are beginning to catch on as well: 45.2 percent of the disc-player owners said they have rented discs.

What does all this mean to the retailer? It means the video-software market is out there and growing, and that these generally young, affluent consumers

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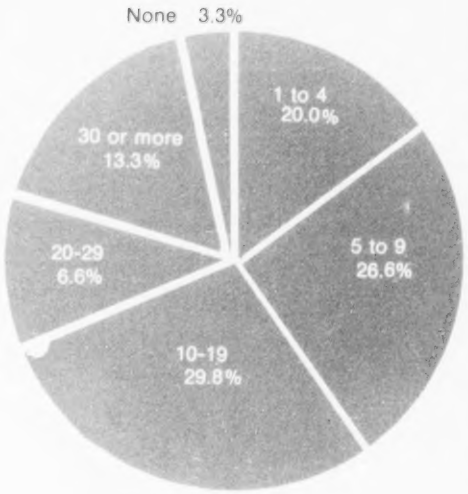
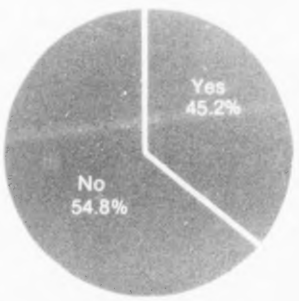
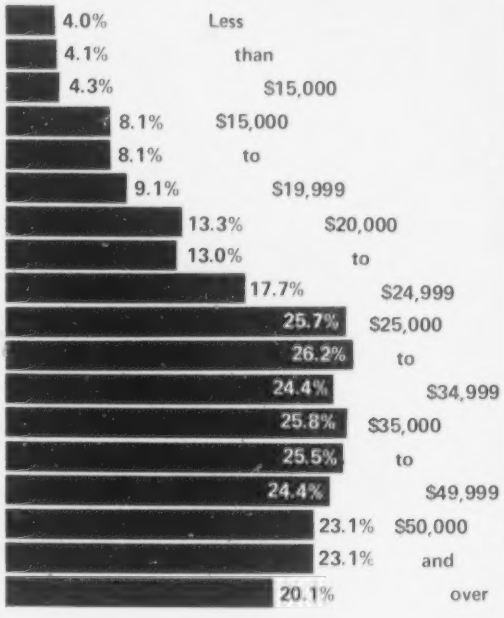
If you own a video disc player, how many video discs have you purchased?



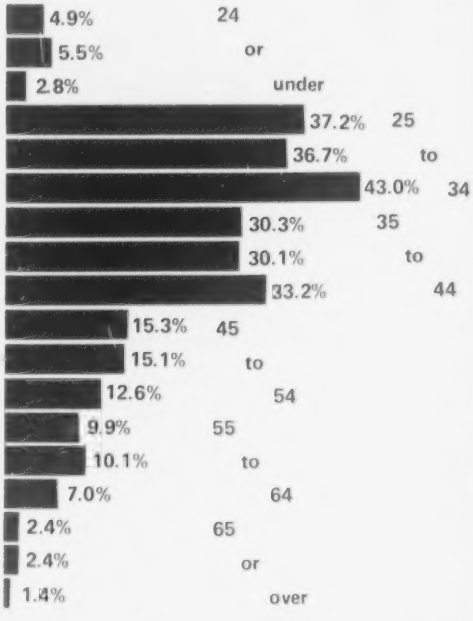


If you own a video disc player, do you ever rent video discs?

What is your total household income?



Into which age category do you fall?



[Continued from page S-17]

(48.9 percent reported a family income of $35,000 or more) are ready to keep on buying once they purchase their video cassette recorders.

It also means — which should come as no surprise to any dealer already in the software business — that rentals are the consumer's preferred way of sampling video software, and that these consumers are willing to rent a variety of programming over a range of price levels.

And it means that the fledgling videodisc business has the potential to produce strong software sales for the video retailer, based on consumer buying patterns already stronger than those for pre-recorded tape. ■

Cathy Ciccolella
Editor-in-Chief

How many persons are in your household?

	Total	Home	Portable
1	13.2%	13.9%	9.8%
2	34.3	35.1	29.4
3	19.6	19.1	23.8
4	22.2	21.9	22.4
5	7.3	6.7	11.2
6	2.5	2.6	1.9
7	.4	.3	.9
8 or more	.5	.4	.5

What is the highest level of school you completed?

	Total	Home	Portable
8th grade or less	.6%	.7%	.5%
Some high school	3.0	3.3	1.9
High school graduate	20.8	20.5	24.3
Some college	28.0	28.6	23.8
College graduate	25.5	23.7	21.0
Post-graduate work	24.7	23.2	28.5

Built-ins: sales bonanza at retail?

A growing replacement market will help built-in appliances make gains throughout the '80s

Built-in appliances represent a potential sales bonanza for retailers.

Manufacturers say that built-in dishwasher sales will be one of the fastest growing appliance categories over the next decade.

The built-in cooking-appliance market will also continue to expand. Drop-in ranges, built-in wall ovens, built-in microwave ovens, and versatile countertop cooking centers are all expected to expand in sales in the 1980s.

And the good news for retailers is that many of these built-in appliance sales will be replacement sales. More than half of the 2-million-plus built-in dishwashers shipped each year are replacements sales. Literally millions of built-in dishwashers installed in the housing

Suppliers such as Tappan provide built-in displays. **Write in 319.**

boom years in the 1950s, 1960s, and early-1970s will be up for replacement in the next few years.

Many of the cooking appliances installed in the last 25 years are being replaced as well as the kitchen remodeling market grows.

Many of the original appliances, installed by builders, were low-cost, low-end units. The replacement customer in most cases will be stepping up to full-featured if not top-of-the-line units.

And since the original units were installed by builders, it is likely that this will be the first dishwasher or cooking appliance that the consumer will have bought on his or her own in many years.

An appliance dealer who doesn't carry built-ins is forfeiting a growing number of replacement sales to kitchen remodelers, home center stores, and mass merchandising department stores. Even though built-in appliance sales are

[Continued on page 82]

MAJOR APPLIANCES

Home-laundry sales tumbling along

Despite the economy, laundry units should keep expanding in sales over the next several years

Replacement customers want as many features on new laundry models as their old units. This pair is by Whirlpool. **Write in 318.**

It's hard for consumers to get very excited about home-laundry appliances.

People have been cleaning clothes for years — literally, centuries. And for centuries, doing the laundry has been looked on as a tedious chore.

Since the advent of the automatic washing machine, however, washday chores have become less tedious. As more and more people install laundry equipment in their homes, and new cleaning features for permanent-press materials, delicates, and the like make the clothes-cleaning chore easier, laundry sales keep tumbling along.

And while radical new-product excitement is rare in the laundry-appliance category, manufacturers and retailers are quick to point out that home-laundry sales (the combined total of washers and dryers) represent 25 percent or more of total major-appliance unit-sales volumes.

Laundry appliances are perhaps the appliance category least affected by the recession, and especially by the decline in new housing.

If consumers want new laundry equipment in a new home, they generally buy it themselves after they move in. And many consumers bring their old laundry equipment with them.

Laundry is a fairly mature product category. Sales volumes depend primarily on a combination of replacement sales and new household formations. Saturation of washers is somewhat higher than for dryers — about 70 percent and 55 percent, respectively. Sales and shipments of washers and dryers generally follow a 3:2 ratio.

Because market saturation is higher for washers than for dryers, and because the replacement cycle is somewhat longer for dryers than for washers, replacement sales of washers are higher.

Once a consumer owns a washer and/or dryer, laundry appliances become something he or she will not do without. If the washer breaks down, the homemaker will buy a new one, regardless of the economy. For that reason, sales of laundry equipment, although down from 1981 levels, are not down as severely as some other major appliances.

What are the prospects for the laundry-appliance market?

Over the next few years, sales of washers and dryers will expand to levels experienced in the early 1970s — washing-machine sales as high as 5.5 million units a year, dryers as high as 4 million units. In recent years, washer sales have held in the four- to 4.5-million-unit range, while dryer sales have hovered around 3 million.

Market saturation has held fairly steady over the last few years. And although a certain base of consumers will never own a washer or dryer, manufacturers say that saturation of washers will eventually reach 85 or 90 percent; dryer saturation will be only slightly lower.

In addition, the replacement cycle of

[Continued on page 90]

Laundry appliance factory shipments (millions of units)

	1979	1980	1981	1982 (est)	1983 (est)
Washers	4.965	4.459	4.365	4.248	4.350
Dryers	3.551	3.176	2.977	2.856	3.003
Total	8.516	7.726	7.342	7.104	7.353

Source: AHAM

General Electric centralizes major appliance organization

General Electric has revamped the organizational structure of its major appliance group. Separate organizational components for washers and dryers, ranges, dishwashers, and refrigerators no longer exist. Instead, manufacturing, marketing, sales, and technology are now centralized in one organization.

Roger W. Schipke, formerly vice president and general manager of the laundry and dishwasher product division, is now the group executive as senior vice president and general manager of the major appliance business group. The group staff will consist of eight executives, all reporting to Schipke.

Those members with title changes include Philip J. Dreici, now vice president and general manager, major appliance sales and service operations, who was formerly vice president of the retail sales division, James F. West, now vice president, major appliance strategic planning operation, who was formerly vice president and general manager of the range division; and Richard L. Burke, now general manager of the major appliance production division, who was formerly general manager of G.E.'s steam turbine division. ■

Home-Laundry News

Laundry market saturation holding steady

[Continued from page 81]

washers is estimated at only 8 to 10 years (considerably less than some appliances), so replacement sales add to the growth potential of laundry-appliance sales.

But dryer sales spin to the beat of a different drum. Since the replacement cycle for dryers is typically 12 to 15 years or longer, dryer replacement sales are smaller. But dryer saturation is growing, and manufacturers say sales could eventually approximate sales of washers.

For the short term, however, laundry sales are sluggish and will probably remain so. Because sales were so weak in the second half of 1981, year-to-year shipment comparisons should show an improvement in the second half. And year-end shipment figures could match 1981 totals. That is not much to celebrate, however, since 1981 shipments were the lowest in six years.

What are consumers looking for in today's home-laundry equipment? In most cases, replacement customers buy models with more features, or at least as many as the unit they replace.

But evidence exists that during the current recession the overall level of product mix is down. While not necessarily affecting the mix of compact, regular-size, and large-capacity models, dealers have seen a movement away from the high end of the product spectrum toward mid-line models.

Key retail price segments have shifted up from the $299 washer and $199 dryer, and seem to have settled into a range from $329 to $429 for washers and $229 to $299 for dryers.

Manufacturers say the capacity war is over. And while a couple of suppliers offer 20-lb.-capacity washers and dryers, most offer 18-lb. models as their large-capacity units. A large market does exist for large-capacity washers and dryers, but manufacturers say most of their sales are in well-featured, regular-capacity 14- or 16-lb. models.

A shift toward somewhat smaller-capacity laundry appliances seems to be taking place. Although some manufacturers deny such a trend, the increase in the number of condominiums and apartments, and the general shrinking of the size of the home, has resulted in smaller home-laundry areas.

As product saturation grows, and the number of consumers in condominiums, apartments, and small houses increases, an even greater need for smaller laundry appliances will exist. Manufacturers estimate that the compact-laundry business now accounts for as much as 10 percent of the laundry total. And over the years the proportion of compacts sold is expected to grow somewhat.

Over the last few years a notable decline has occurred in the number of laundry pairs sold. In a primarily replacement market, when a washer breaks down or wears out the consumer generally replaces only the washer, not the pair. However, because manufacturers are no longer on a model/year production schedule (like the automobile industry) the consumer has several years to buy a matching dryer.

More than 60 percent of all washers and dryers sold are white, and the proportion of white units is increasing.

What's the outlook for the laundry business? No large, pent-up demand exists for washers, as for some major appliances. So a turnaround in the economy would not have a significant immediate impact in the washer business.

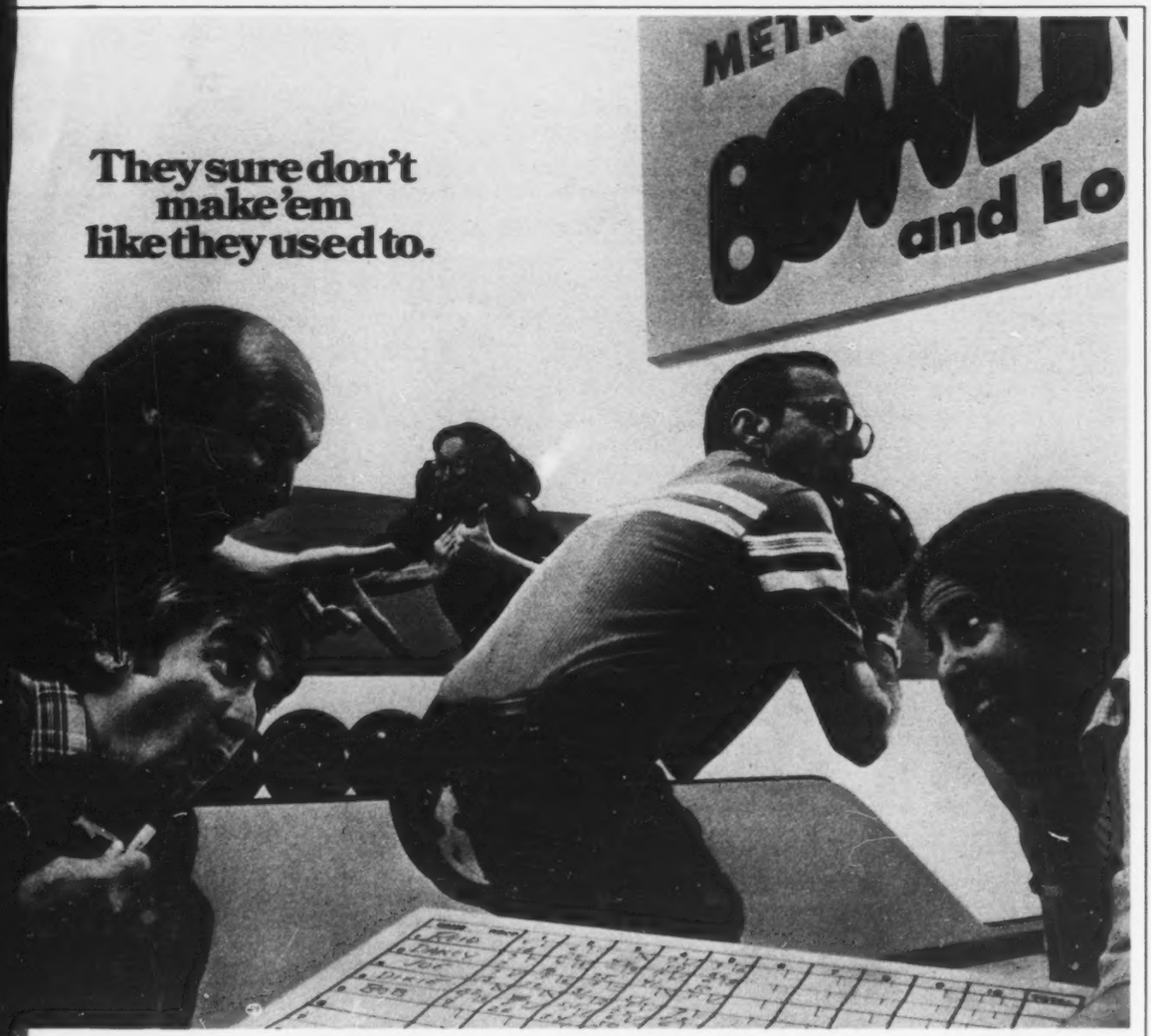
Dryers, however, are different. When a dryer wears out, some consumers may decide they can get by with hanging their clothes out to dry for a while. So somewhat of a pent-up demand does exist for dryers, and when the economy turns around, sales of dryers should improve.

The consensus among suppliers seems to be that recovery in the laundry business, as in the appliance industry as a whole, will be slow and gradual, with relative improvement throughout the rest of this year and some growth projected in 1983.

Over the next decade, it is not unreasonable to expect sales and shipments of washers and dryers to increase by 5 percent annually. The number of U.S. households is expected to increase dramatically, and a large proportion of those new households will need washers and dryers.

And while the market will remain stagnant for home-laundry sales for the remainder of the year, more than 7 million washers and dryers will be sold this year — about one out of four of the 30 million or so major appliances expected to be sold. ■

John Foster
Senior Editor



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Write in 133